Austria	Sch24	Indonesia	Rp3200	Philippines	[illegible]
Bahrain	Din0.700	Iran	[illegible]	Portugal	[illegible]
Belgium	BFr55	Israel	Shk4.80	Qatar	QR9.00
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	[illegible]	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.500	Spain	[illegible]
Finland	FMk9.00	Lebanon	[illegible]	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.60
Germany	DM2.50	Malaysia	M$4.25	Thailand	[illegible]
Greece	Dr150	Morocco	Dh8.00	Tunisia	[illegible]
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	[illegible]	Nigeria	[illegible]	UAE	Dh7.00
Iceland	[illegible]	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

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Monday April 30 1990

D 8523A

VIETNAM

Trying to heal the north-south divide

Page 18

World News

US hostage 'free in 48 hours,' says kidnap group

US hostage Frank Herbert Reed, 57, would be freed within 48 hours, said the Organisation of the Islamic Dawn, a previously unknown group, in a statement sent to an international news agency in Moslem west Beirut.

The statement, typewritten in Arabic, was accompanied by a photograph of Mr Reed, who was abducted in 1986.

S Korean riots grow

Workers fought riot police in the South Korean city of Ulsan after Saturday's military-style dawn raid to suppress a three-day strike at the Hyundai Group shipyard. Page 18

Moscow reassured

Mr Lothar de Maizière, East German Prime Minister, reassured Soviet President Mikhail Gorbachev that his country's new conservative government did not want to rush into Nato's arms without big changes to the alliance. Page 3

Soviet output falls

Soviet Communist Party daily Pravda said first quarter statistics for 1990 showed a slump in production, rising foreign debt, a mounting trade deficit and runaway inflation. Page 3

'Gun parts' held

Two separate consignments of parts for Iraq's giant gun project, and a suspected third shipment, were seized on entry to Turkey, Turkish officials said. Page 3

Luanda-Unita talks

The Angolan Government and the Unita rebel movement met secretly in Portugal last week for talks on ending the 15-year civil war in Angola, Mr José Durão Barroso, Portugal's Foreign Ministry Secretary of State, disclosed. Page 6

Romanians protest

About 15,000 people demonstrated in the western city of Timisoara, birthplace of the December uprising which ousted dictator Nicolae Ceausescu, to demand the removal of President Ion Iliescu and the ruling National Salvation Front as neo-communists.

Mubarak in Syria

Egyptian President Hosni Mubarak will visit Syria on Wednesday to seal the end of years of bitterness between Cairo and Damascus, presidential sources said.

Tutu blames right

Archbishop Desmond Tutu said he suspected South African right wingers, possibly linked to the security forces, sent a parcel bomb which maimed exiled anti-apartheid Anglican monk Michael Lapsley, who lost an eye and both hands in the attack.

Israel 'unprepared'

Israel is unprepared for an Arab missile attack and would suffer permanent damage to morale if its cities were hit. Mr David Ivri, a top Israeli defence official, said.

E German visa pact

East Germans will soon be able to visit West Germany, France, Belgium, the Netherlands and Luxembourg without a visa, a Dutch Foreign Ministry spokesman said.

Shamir rejects talks

Israeli caretaker Prime Minister Yitzhak Shamir, who rejected a US plan for Israeli-Palestinian peace talks, said foreign governments were trying to force him into negotiations with the PLO.

Nepal police back

Mutinous Nepalese police, who stopped work after mobs killed eight colleagues, resumed their rounds as heavy rains and a strict curfew restored calm to Kathmandu after weeks of violent pro-democracy protests.

India peace offer

Indian Prime Minister Vishwanath Pratap Singh, said he would match and exceed any Pakistani actions to reduce the threat of war over the disputed state of Kashmir.

Sicily ferry sinks

A ferry sank off the Sicily's north-west coast coast with the loss of at least six people, authorities in the port of Trapani said.

Radio ship contact

The Goddess of Democracy, a radio ship planning to broadcast pro-democracy programmes to China, made contact with organisers in Singapore after five days of silence due to storms.

Business Summary

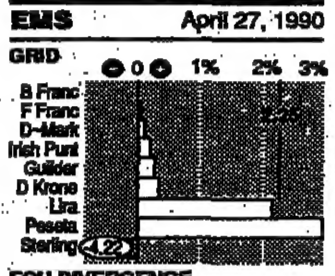
Market for Brent crude threatened by US status

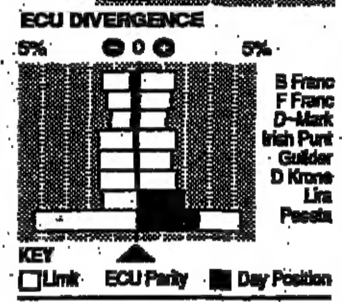
Turmoil in the market for North Sea Brent crude oil, caused by concern at its status under US law, looks set to grow worse this summer as production volume falls off while quality becomes erratic during a period of heavy offshore maintenance work.

The status of Brent crude as an international marker, against which a large number of oil contract prices are fixed, is in danger, according to the report by County NatWest WoodMac, the London stockbroker. Page 18

EUROPEAN Monetary system: Weakness of the D-Mark allowed France, Belgium and Denmark to cut official interest rates last week. The French and Belgian franc plus the Danish krone remained around the bottom of the EMS, but firm against the D-Mark. The Spanish peseta stayed at the top of the system, followed by the lira, which showed no reaction to news that Italy has lifted all exchange controls.

EMS April 27, 1990





The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the Lira may move by more than 2¼ per cent. The lower gives currencies' divergence from the central rate against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

PATHE Communications, Hollywood studio controlled by Mr Giancarlo Parretti, controversial Italian financier, is likely to extend its $1.2bn tender offer for MGM/UA by about two weeks beyond today's expiry date. Page 20

REPSOL, state-owned Spanish petroleum group, was given permission by the Government late on Friday to launch a takeover bid, worth some $300m, for 69.1 per cent of Gas Madrid, the sole supplier of domestic gas to the capital. Page 30

INTERNATIONAL Finance Corporation, World Bank affiliate which encourages the private sector in developing countries, is consulting shareholders about a big increase in its capital. Page 3

CANADA'S National Bank has agreed to drop a C$50m ($42.9m) suit against entrepreneur Robert Campeau and return Campeau Corp shares and other securities to a family holding company, in return for a C$80m ($68m) loan payment. Page 22

R&H Hall, Cork-based grain and fuel merchant, has rejected the terms of a takeover proposal by IAWS, of Ireland, as inadequate. Page 24

LATIN AMERICAN and Asian stock markets have continued overall to outperform those in the leading industrial countries, according to an analysis by the International Finance Corporation. Page 20

SOVIET UNION and eastern Europe will require more than $2,000bn dollars as energy investment in the next 15 years in order to keep pace with expected economic growth, according to a study by Gaffney, Cline & Associates, the energy consultants. Page 3

RENAULT, French car and truck maker, was transformed from a privileged *Régie* of the French state into an ordinary public limited company which means it can now implement its share-swap alliance with Volvo, of Sweden. Page 3

ASIA, faces significant risks from the integration into a single market of the European Community in 1992, says the 1990 Asian Development Outlook by the Asian Development Bank. Page 6

GAS SUPPLIES 'TO RESUME' ● GORBACHEV DROPS KEY DEMAND ● LANDSBERGIS CAUTIOUS

Moscow and Lithuania seek deal

By John Lloyd in Vilnius

THE SOVIET UNION and Lithuania yesterday appeared to be looking urgently for a compromise to end the impasse over the republic's declaration of independence seven weeks ago.

As both sides took stock of the Soviet Union's two-week economic blockade of the rebel republic, there were reports that Moscow was about to resume some supplies of natural gas.

The manager of a Lithuanian chemical factory which earns Moscow hard currency said he had been promised a resumption in natural gas deliveries, while Moscow's State Supply Committee said the supply of gas, cut to about 15 per cent over the past 10 days, had been doubled to 30 per cent.

At the same time, Mr Arkady Maslennikov, spokesman for President Mikhail Gorbachev, confirmed that the Soviet Government would accept the freezing rather than the repeal of the republic's declaration of independence on March 11 as a basis for negotiation.

"The President does not insist on rescinding independence," he said, but adding that the Lithuanians "should not insist on its implementation."

This puts the Soviet leader on the same ground as that occupied by President François Mitterrand of France and Chancellor Helmut Kohl of West Germany.

In the joint letter sent to President Vytautas Landsbergis of Lithuania on Thursday, they called for a freeze while supporting the republic's right in principle to independence.

It is not clear, however, that the Lithuanian Supreme Council will agree to the compromise sought by Moscow. The republic's parliament will debate the issue on Wednesday.

President Landsbergis, who sent a non-committal response to the joint letter of the western leaders over the weekend saying it would be "carefully considered" and welcoming it as a recognition of freedom, is understood to have told colleagues that he cannot agree to a freeze on independence.

However, Mrs Kazimiera Prunskiene, Lithuania's Prime Minister, said the proposals from Paris and Bonn could be "a basis for negotiation."

Mrs Laima Andrikiene, economic adviser to Mrs Prunskiene, said yesterday: "We cannot stop the independence process. We can discuss the laws we passed after March 11."

Any compromises agreed by the Supreme Council this week are more likely to focus on the laws forbidding Lithuanians to be drafted into the Soviet army, establishing Lithuanian citizenship and taking over all property including those large enterprises controlled by Soviet ministries.

These are now seen by both sides as over-hasty and too radical, and a series of compromises have already been flagged.

Moscow's desire to reach a compromise appeared to be confirmed by reports of an easing of the economic blockade. Mrs Andrikiene said she had indications from Moscow that gas supply would rise to 75 per cent of normal in May. The fertiliser plant in Janava 55 miles from Vilnius, one of the largest suppliers to the Soviet Union, was to be supplied with its full gas and oil needs, she said.

Mr Vladislavas Gedvilas, manager of Janava plant, said Moscow had promised additional daily deliveries of three million cubic metres. But, he added: "I tried to find out about the promise yesterday and today, but there is no result so far."

Soviet economy, Page 3; Editorial comment, Page 16

Cyclists pedal through the centre of Vilnius yesterday in support of the Lithuanian Government

US move could cut cost of phone calls

By Hugo Dixon in London

THE US is to lead pressure for removal of restrictions on international private telecommunications circuits at a meeting of the world's telephone companies in Geneva next month. The move could lead to substantial cuts in the prices of international calls and boost the cross-border supply of information services.

The restrictions on private circuits are designed by the international phone cartel to protect profits by preventing competitors from providing rival phone services. They are imposed by all countries apart from the US on the advice of the International Telegraph and Telephone Consultative Committee (CCITT) the Geneva-based "club" of telecommunications companies.

The Financial Times revealed earlier this month that the cartel was overcharging phone users throughout the world more than $10bn a year for making international calls and that prices were on average three times costs.

Mr Bradley Holmes, Assistant Secretary of State at the State Department responsible for telecommunications, said in an interview that the US would push for the maximum freedom in the use of private circuits at a three-day meeting of the CCITT's Study Group 3 which starts on May 23.

He said he expected Britain, Japan, the Netherlands and West Germany to support the call for more freedom. The meeting promises to be stormy because France is leading a group of countries which seeks to block liberalisation.

The restrictions were devised by the CCITT about 20 years ago when large multinationals first started to demand private circuits to link their operations in different countries. The phone companies feared that much of the traffic on their networks would be diverted to private networks unless tight constraints were imposed.

Mr Holmes said the US would be calling for restrictions to be abolished so companies were free to use their circuits as they thought best.

Mr Holmes said that if the restrictions were abolished, competitors would be able to undercut the phone companies' international calls charges, putting pressure on them to bring their prices down. He also argued that enhanced telecommunications services – such as electronic mail and access to data-

Continued on Page 18

EC talks on union likely this year

By David Buchan and Robert Mauthner in Dublin

THE 12 European Community member states are likely to start negotiations by the end of this year with the aim of creating a political as well as monetary union.

After a special one-day summit in Dublin on Saturday, EC leaders instructed their foreign ministers to come up with proposals on "political union" so that their June summit could call a treaty-revising conference by the end of the year.

Mrs Margaret Thatcher, the British Prime Minister, was in her usual crusading mood on the issue of national independence. She called on fellow EC leaders to scale down their ideas of political union so that Europeans would not be frightened into thinking they would lose "national identity and sovereignty."

Her clarion call against rushing into ill-defined union rallied some support from others on Europe's rim – Denmark and Portugal – and helped scotch any possibility that Saturday's meeting might formally call a political reform conference among the Twelve.

"There is quite a lot of rhetoric and far too little nitty gritty," she said, pointing out that no one had the same conception of political union. "I hope the foreign ministers will get down to the nitty gritty and come up with something which does improve the European institutions and see if we need any modification."

Her energetic pleas did little, however, to change the likelihood that such a conference will be called when EC leaders meet again in the Irish capital in two months' time. Mrs Thatcher has already made it clear that if her partners decide to hold such a conference Britain will participate.

The political union debate somewhat sidelined the issue of impending German unity and its implications for the Community, the original reason for calling the Dublin meeting. But Chancellor Helmut Kohl underscored the link between the two when he voiced on behalf of himself and Mr Lothar de Maizière, the East German Premier, "the urgent wish for all Europeans to believe that German unity and European integration are two sides of the same coin."

The Bonn Government was ready "to abandon certain [national] competences" to transfer them to the Community, he said in a statement heavy with significance for Mrs Thatcher.

The summit confirmed that East Germany would get loans and aid from regular EC institutions even before joining the Community club.

Mr Kohl stressed that he had never considered that German unity was only a German question. It affected the whole of the European Community as well as the balance between the two superpowers. It was therefore important that the negotiations between the two Germanys and the four Second World War allies on the external aspects of German unification were wrapped up this year, in time for the scheduled summit of the 35-nation Conference on Security and Co-operation in Europe. The 12 leaders will propose this summit should take place in Paris.

The summit took the commitment to monetary union negotiations one notch further by stating that treaty revisions should be ratified by national parliaments of the Twelve by the end of 1992.

If, as seems increasingly sure, a political union conference is called for later this year, it will be given the same ratification deadline.

Details, Page 2; Editorial Comment, Page 16

Thatcher in wonderland

By Robert Mauthner in Dublin

MRS Margaret Thatcher, resplendent in royal blue, was clearly in her element in Dublin. Who said the British Prime Minister lacked vision or imagination? She set out to confound her critics by proposing a simple, revolutionary formula for building the new Europe.

Since her Community partners were patently talking metaphysical nonsense about political union, the procedures of international negotiations should be completely turned upside down.

Instead of discussing what they meant to do, which they appeared to find so difficult, the Community leaders should proceed by "setting out what we do not mean when we

Continued on Page 18

British Conservatives face further blow to party morale, Page 13

Boeing closer to programme for producing Airbus competitor

By Paul Betts, Aerospace Correspondent, in London

BOEING has moved significantly closer to launching a $4bn long-distance wide-body commercial aircraft programme called the Boeing 767-X to compete against the European Airbus A330 and the McDonnell Douglas MD-11 trijet.

Three leading US airlines – American Airlines, United Air Lines and Delta – are expected to be launch customers for the 767-X which will be called 777 once it enters production. They are expected to order about 50 aircraft each.

Boeing is also seeking a leading international airline as a launch customer for the 777 and is targeting British Airways. But BA, which is expected to make a choice for its fleet renewal programme by the end of this year, says it is still reviewing all available options. Another potential international launch customer is All Nippon Airways (ANA) of Japan.

Boeing recently decided to *increase the range of the first* member of its new wide-body twin-engine aircraft family from 4,200 nautical miles to 4,600 nautical miles. This is understood to have brought the three potential US customers closer to making large order commitments enabling Boeing to launch the programme.

The launch is expected to start a battle between Boeing and its rivals for a share of the fast-growing wide-body market.

Boeing was planning to develop a 777 with US transcontinental range for domestic US airlines as the first model of its new aircraft family. However, by extending the range the first model will immediately have transatlantic capabilities which appear to have been demanded by US carriers.

The first model with a range of 4,600 nautical miles will be designed to carry 350 passengers in two classes. It is scheduled for delivery in 1995. It is expected to feature folding wings similar to those on mili*tary aircraft used on aircraft* carriers. This will enable it to fit at existing airport departure gates now used by the older aircraft it will replace such as the McDonnell Douglas DC-10 and the Lockheed L-1011 with smaller wingspans.

The 777's wingspan is expected to total 197ft compared with the 153ft wingspan of the average DC-10 or L-1011. To enable the new aircraft to fit at airport gates, its wings will be designed to fold 22ft in from each each wing tip. The folding mechanism will add about 2,500lb to the weight, according to Mr Alan Mulally, vice president engineering of Boeing's New Airplane Division.

After the introduction of the first model, Boeing is planning to offer other versions of the 777 including a second, heavier model with a longer range of 6,600 nautical miles carrying 286 passengers in three classes. Mr Mulally said this would be followed with a stretched fuselage version carrying 404 passengers 4,600 nautical miles in *two classes.*

CONTENTS

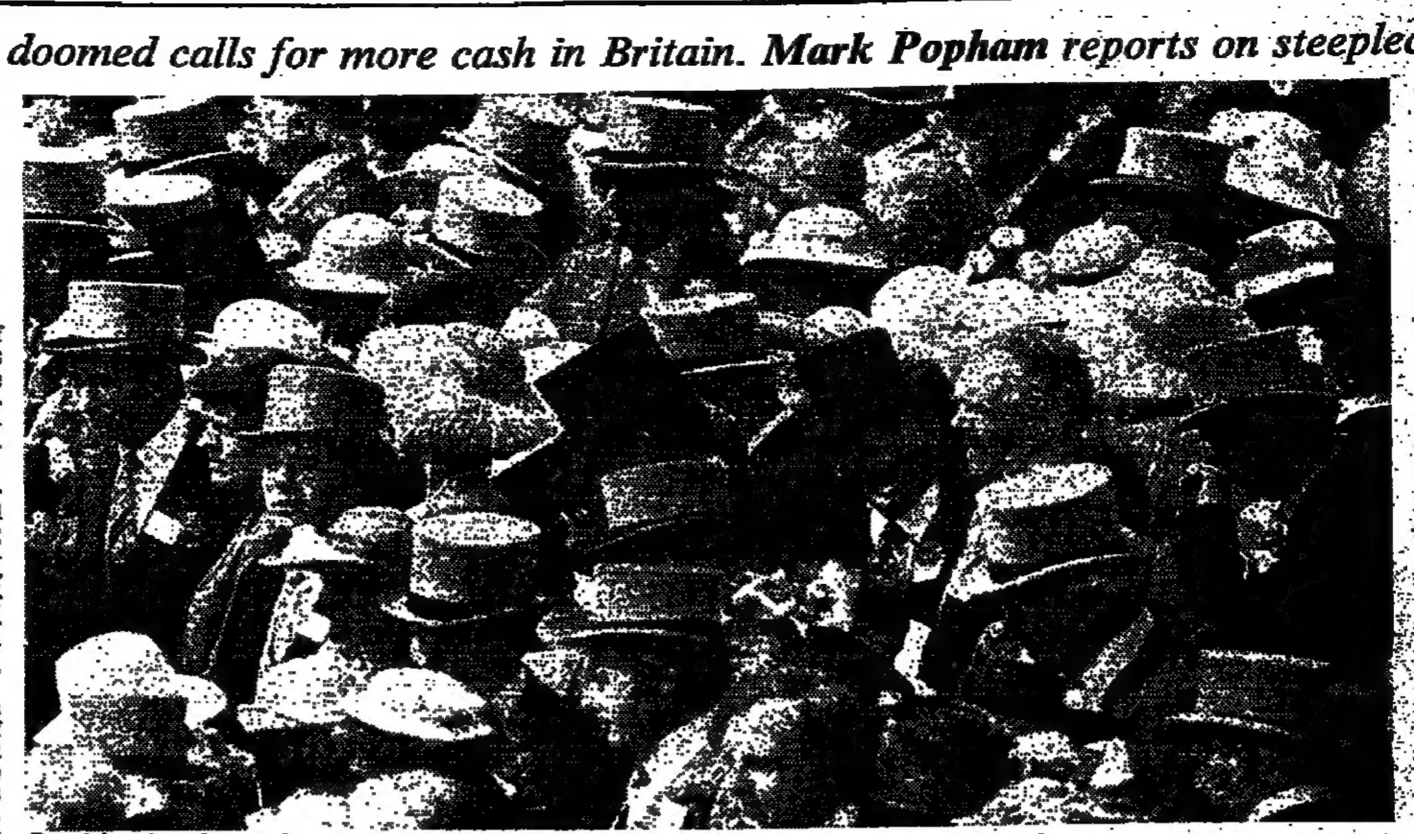
THE MONDAY INTERVIEW

"The competitiveness of American-owned corporations is not the same as American competitiveness", *says Robert Reich.* One of the academic pundits who thrive in the US, he is a profes sor at the Kennedy School of Government at Harvard.
Page 36

SPORT

Racing: Michael Thompson-Noel discusses doomed calls for more cash in Britain. ***Mark Popham*** *reports on steeplechasing in Kentucky*

Talk about toffs and money



Royal Ascot: a picture of prosperity. But some claim that British racing merits a far-ranging inquiry

FOR A few people, the highlight of the racing week in Britain may well have been the 2.45 at Sedgefield on Tuesday, which was happily entitled the Monkey Puzzle Challenge Trophy Selling Handicap Hurdle, writes Michael Thompson-Noel. For many more it will be the 4.05 at Sandown today – the 34th Whitbread Gold Cup.

For the sport's administrators, however, the highlight of the week was the racing industry conference at Sandown on Monday, organised by the Jockey Club and entitled "Shaping The Future." It touched on numerous *policy matters, but mainly it* dwelt on the sport's finances – in particular, the age-old notion that British racing deserves more cash and should jolly well get it.

A number of speakers – among them representatives of the Racecourse Association and the Horseracing Advisory Council (HAC) – said that the time was ripe for a major review of racing's finances. Others disagreed.

A few, such as Lord Zetland, chairman of the Thoroughbred Breeders' Association, were brave enough to try and get a toot out of a very battered trumpet by renewing the call for an off-track Tote monopoly as a means of pumping big new sums into racing.

However, the strangest feature of the conference was its inability to agree on whether or not British racing was indeed short of cash. You would think that it was a simple statistical matter to determine whether racing was enjoying a period of prosperity or not. But nothing in racing is simple.

Fortunately, the sport has a number of intelligent spokesmen, one of whom is Kenneth Young, chief executive of the HAC, who told his listeners that his council had identified various structural weaknesses in the racing industry – notwithstanding its perceived prosperity.

"To the outsider," he said, "racing presents a picture of prizemoney at record levels; increased racecourse attendances; massive new investment in existing racecourses, large and small; new all-weather tracks; an expanded fixture list; plans for new racecourses; new satellite communi*cations at home and abroad, and no short*age of owners, horses in training, trainers, jockeys and support services."

This is all very true. The sport appears to be thriving. For example, the number of horses in training in Britain last year (Flat racing plus National Hunt, or jump racing) was 12,961, against 9,761 in 1977. Fixtures last year totalled 1,005, against 896 in '77. Total track attendances last year were 4.9m, versus 4.1m in '77.

Prizemoney on the Flat in 1989 was £27.5m, against £8.3m in '77; over the jumps it was £13m against £3.5m. (Interestingly, the Horserace Betting Levy Board makes a much bigger relative contribution to jump racing than to the Flat, which may not endear it to those who are concerned by the slaughter rate of horses at jump tracks).

Off-track horserace betting turnover with bookmakers grew from £1.7bn in 1977-78 to £4.2bn in 1988-89; over the same timescale, Levy Board income rose from £10.1m to £35.2m.

All very jolly. However, Kenneth Young reckons that "beneath the superficial crust of apparent prosperity, fundamental problems persist and chill winds are beginning to blow. For example, owners, by far the largest single net contributors of finance to racing, are now facing sharply rising costs not likely to be matched by commensurate increases in prizemoney."

Trainers were also coming under pressure, he said. Most racecourses were unprofitable, and were starting to find it difficult to attract new and replacement commercial sponsorship.

In Young's view, what racing needs is a rigorous examination of its finances by experts, making clear at the outset "that the investigation would not be merely another witch-hunt against betting interests. On the contrary, the contribution from betting to racing would for the first time be clearly seen in its proper context both nationally and internationally."

For some people, this is not nearly enough. Lord Zetland, for example, tried to stir things up by wondering what it would be like if British racing were to benefit from a Tote monopoly. Counting in greyhound and harness racing, he said that annual betting turnover in Australia was now more than £4bn; in France, £4bn, and in Britain, £5.2bn.

"The Australians will this year plough back (into racing) a whacking £200m, which amounts to about 5 per cent of turnover. France, some £220m, 5.5 per cent of turnover. And Britain? £45m. That's all. Just £45m, or less than 1 per cent of turnover. We struggle to sustain our industry on less than one-quarter of the share our competitors receive . . . It's almost masochistic." Without an off-course Tote monopoly, he claimed, Britain would decline into a second class racing power.

Unfortunately for Lord Zetland, talk of introducing a Tote monopoly in Britain is pie in the sky. The truth is that whatever large sums they suck out of racing, the bookmakers are genuinely, and widely, popular.

Whether they offer an admirable service, or even a good one, is a different matter entirely. They exert great influence. They have friends in high places. Above all, they are correct when they say there is no sign that British racing genuinely needs more cash.

One of the reasons that the French are able to pump more money back into their racing is that French punters are stung by much higher deductions from stakes than British ones. To put it baldly, do the British want increased prizemoney for racehorse owners, or reasonably low deductions from betting stakes? More for the toffs, or a fairish deal for punters? It is unlikely that they can have both. (When I lost several hundred pounds by investing in a racehorse syndicate, I did not winge on about it. Reason: it was my own money, spent with my eyes open).

Len Cowburn, chairman of the Bookmakers' Committee, told the Sandown conference that "there is an old prejudice against bookmakers and a modern prejudice against large successful businesses. Within the racing industry there appears to be a view that the bookmakers and punters should contribute even more to racing.

"Less is heard about the need for racing to be more enterprising and self-reliant . . . The present situation shows an industry which is in good shape and which has had considerable capital investment poured in to allow it to modernise, improve and fund attractive facilities . . . There is no need for an inquiry into racing finances."

Anyway, if the bookies were sent packing, people like me would be robbed of an easy target for jokes. You *can* write humorously about the Tote. But only with wrist-snapping difficulty.

Rich people, low profiles

AMERICAN JUMP racing has long been the preserve of rich men and women keen to imitate the ways of the old country, **reports Mark Popham from Kentucky.** It has retained its haughty image by keeping a low profile, with only 40 meetings a year – most with no betting facilities – which has meant little media coverage and restricted public awareness.

All the meetings are run in aid of charity, and usually provide an excuse for local society to get together and have a party.

Although many of the fixtures take place in "dry counties" in western and southern states, there always seems to be plenty of alcohol available. In many respects the atmosphere is like that found at British point-to-points – plenty of fun, with the racing the excuse for a party rather than the principal draw.

Compared with National Hunt racing in Britain, steeplechasing in the US has a long way to go, although the National Steeplechase and Hunt Association is succeeding in promoting the sport, helped by events such as last Sunday's $750,000 (£457,300) Dueling Grounds International Hurdle, run for the first time at a new racecourse in southern Kentucky.

Billed as the world's richest-ever hurdle event, it attracted five European-trained horses and four home runners. The man behind Dueling Grounds racecourse is Mike Shannon. There is nothing outwardly dynamic about Shannon, but he made the trip from Texas to the Bluegrass State 16 years ago a poor man, stayed, became a stallion groom, and is now rich.

Good ideas and neat bloodstock deals have made Shannon's fortune, the best of them being the purchase – with a borrowed $1m – of a batch of horses off a fleeing President Marcos associate in early 1986. One of the racehorses, Manila, became a champion, and Shannon made an extremely large profit. His latest project is the building of the $15m Dueling Grounds racecourse in southern Kentucky, just half-a-mile from the state border with Tennessee, where gambling is illegal.

Since the luxurious, two-storey Dueling Grounds betting theatre opened three weeks ago, punters have flocked to it, and Shannon looks to have another success on his hands.

To obtain a betting licence, Shannon had to build a racecourse and stage one meeting a year. Valuable Flat races are common in the US, with prizemoney high because of a Tote monopoly, so a hurdle event was staged to gain maximum impact.

This was well received in Europe, particularly in Britain which has the best jump racing in the world, even though prizemoney is often poor. The Dueling Grounds feature race was worth four times as much as the Grand National or the Cheltenham Gold Cup, and the sole Irish raider, Grabel, carried off the first prize, ridden with dash by Tony Mullins, son of trainer Paddy Mullins.

The seven-year-old mare paid nearly 8-1 because many were worried by the quarantine hiccup that detained her in New York for four days. She eventually arrived the day before the race after an 18-hour horsebox drive from New York, and proved her toughness by winning from a strong field 24 hours later.

The foreign challenge would have been even more impressive but for fears that the new track was not ready. Rumours of little grass and hard going proved unfounded but, because it was only sown six months ago, the grass had not had time to form a proper cushion. The clay soil made the problem worse, baking firm in the sun.

Second favourite Regal Ambition, trained by England's record-breaking champion jump trainer Martin Pipe in Somerset, had to be pulled up when leading after the third last hurdle because he had injured both front legs. Strained tendons were diagnosed, which means that Regal Ambition, bought two weeks before the race for no less than £175,000 by four American owners, headed by Jerry Carroll, owner of Turfway Park racecourse, will be out of action for anywhere between six months and two years.

American steeplechasers tend to get injured more often than their British counterparts. One leading trainer estimated that a sound horse – one which had not had any leg problems – has a 20 per cent chance of breaking down, while horses that have recovered from injuries have a 50 per cent likelihood of being injured again.

Most steeplechase events are run over portable metal-framed obstacles which are protected by a flexible green canvas-covered balustrade – the standard American hurdle. The bigger obstacles vary in construction but are often made of wooden poles which means that sloppy jumping results in a fall.

The heyday of American steeplechasing was in the 1920s and '30s. Just as now, the ideals were more impressive than the reality. John Gourlay was head of the Southern Grasslands Hunt and Racing Association founded at Gallatin, Tennessee, in 1929 to help protect the interests of fox hunting, beagling, steeplechasing, polo, shooting and other sports, as well as bloodstock breeding.

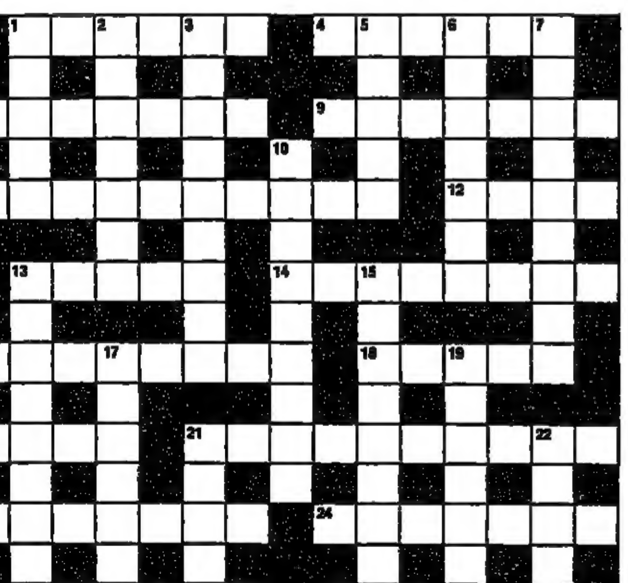
His report a year later included these words: "As our people have become prosperous, with more opportunity for leisure and amusement, there has been a gradual development of their sporting proclivities and with it the desire to indulge in the pastimes of our ancestors, the love of the outdoors, the horse and the hound which has created all over America. In recent years the greatest interest in fox hunting, racing steeplechasing and allied sports." The association bought 10,000 acres of unspoilt countryside to create a sporting paradise, but within four years the Depression put paid to the scheme.

It still has to be seen if American steeplechasing enthusiasts, all these years later, can succeed in developing a properly managed, safe and coherent enterprise.

CROSSWORD

No. 7,225 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday May 9, marked Crossword 7,225 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday May 12.



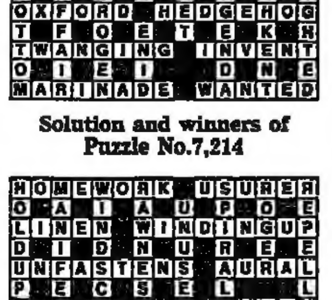
ACROSS

1, 4 Drink crush: why? is king inside? (6,6)
8 Lament about wrong tune for period (7)
9 Ancient light shut noisily during opening (3,4)
11 Fruit with defects returned to Chuck? (10)
12 Coloured flag (4)
13 Oscar for uncultivated oriental (5)
14 Pretty girl without right to work, hanging among the bats? (4,4)
16 Unfriendly game requires cooling-off period (4,4)
18 Wife murderer's bone (5)
20 Murder victim sounds as if he could (4)
21 Draw out inside lot and wish one joy (10)
23 Loud voice of hog cooked by sailors (7)
24 Tumbler for a pet to take in (7)
25 Poles in bottom of boat for dog's home (6)
26 Sudden movement in jacket (6)

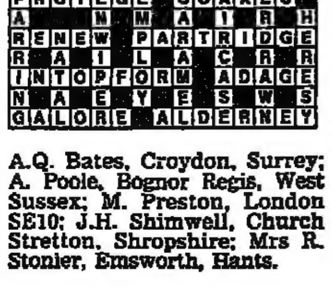
DOWN

1 Piece of paper in bed (5)
2 Quarrel inverted at end of drain (7)
3 A lot of deer with vegetable at sea (9)
5 Exciting man had bad day (5)
6 Fighter marketed successfully? That's right (7)
7 Parliamentarian about to sleep during solver's holiday (3,6)
10 Find fault with pupil for making jelly (4,5)
13 Part of orchestra meets obstruction on the floor (4,5)
15 Series of changes in fly and lice, maybe, outside the City (4,5)
17 Beast ran away from Churchill, perhaps, a short distance (7)
19 Pick protective pad for second sound of clock (7)
21 Remote establishment's a joke (5)
22 A humorist or two (5)

Solution to Puzzle No.7,224



Solution and winners of Puzzle No.7,214



A.Q. Bates, Croydon, Surrey; A. Poole, Bognor Regis, West Sussex; M. Preston, London SE10; J.H. Shimwell, Church Stretton, Shropshire; Mrs R. Stonier, Emsworth, Hants.

TELEVISION & RADIO

SATURDAY

†Indicates programme in black and white

BBC1

BBC2

LONDON

CHANNEL 4

S4C WALES

ANGLIA

CENTRAL

CHANNEL

GRAMPIAN

HTV

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

RADIO

RADIO 2

RADIO 3

RADIO 4

SUNDAY

†Indicates programme in black and white

BBC1

BBC2

LONDON

CHANNEL 4

S4C WALES

ANGLIA

CENTRAL

CHANNEL

Greta Garbo: a tribute is shown on C4 at 1.50pm

GRAMPIAN

GRANADA

HTV

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

RADIO

RADIO 2

RADIO 3

RADIO 4

OVERSEAS NEWS

IFC states to consider increase in capital

By Peter Riddell, US Editor, in Washington

THE International Finance Corporation, the World Bank affiliate which encourages the private sector in developing countries, is consulting its shareholders about a big increase in its capital, to be agreed this year.

Without such an increase the Washington-based IFC would be forced to slow dramatically the growth of its operations, which recently expanded into eastern Europe. Their usual areas are Latin America, Africa and Asia.

Sir William Ryrie, IFC head, would like to see a doubling of the present capital, which was increased to $1.3bn in 1985.

However, some of the IFC's leading industrialised country shareholders would favour both a smaller increase and a delay in implementation, though all apparently agree that an expansion in capital is desirable. The US holds 25 per cent of the shares.

They hope the issue can be resolved this year. Unlike the proposed increase in International Monetary Fund quotas, *which does not involve an* increase in public spending by member countries but merely a transfer of official reserves, an expansion in the IFC's capital would mean an expenditure commitment by shareholders, though that would be spread over five years.

Between 1985 and 1989, the IFC's new investment rose at an annual rate of 25 per cent. This has already slowed to 10 to 12 per cent and would drop to 4 per cent unless there were a capital increase.

The IFC is becoming actively involved in eastern Europe, with seven joint ventures already in Hungary (five manufacturing and two financial) and a number under discussion in Poland, besides the provision of technical assistance on privatisation, which the IFC believes may be more important than money.

Applications by Czechoslovakia and Bulgaria to join the IFC, the World Bank and the IMF are expected to be approved within a few months.

Emerging stock markets, Page 28

Pressure for Soviet economic reform growing

By Quentin Peel in Moscow

PRESSURE for a radical acceleration in Soviet economic reform towards a market system was stepped up at the weekend, with a devastating assessment in Pravda, the Communist Party's main newspaper, of the collapse of the old planned economy.

Citing first-quarter statistics which show a continuing absolute decline in industrial production, soaring wage increases and ever-growing losses from labour unrest, the newspaper concluded that suppressed inflation must break through the attempts of both government and trade unions to maintain price controls.

The figures were published after a week of intense speculation over the future of President Mikhail Gorbachev's promised drastic shift in the pace of economic reform. They also came on the eve of a mass meeting of workers and strike leaders in Siberia's Kuzbas coalfield, which may well decide to create a national independent and radical trade union movement.

Mr Gorbachev's acute anxiety at the state of the economy, and at the popular backlash against his economic reforms, was underlined last week by a three-day trip to important industrial cities in the Ural mountains, where workers' dissatisfaction has already caused angry *demonstrations* over food and drink shortages, and the overthrow of local Communist Party bosses.

The first-quarter statistics published by Goskomstat, the State Statistics Committee, showed that GNP fell by 1 per cent, and labour productivity by more than 2 per cent. It estimated inflation, including an allowance for "unsatisfied demand", at 8 per cent.

However, Mr Yegor Gaidar, economics editor of Pravda, cited specific inflation figures *of 16 per cent for meat, and* more than 20 per cent for fruit. In spite of a huge monetary overhang, estimated at some Rbs165bn (£165bn at official rate) by Goskomstat, money supply is now growing six to eight times more rapidly than in the early 1980s, he said.

A significant element in the economic reform debate now seems to be the extent of measures required before price liberalisation can be introduced – and in particular the action needed to break up traditional state monopolies.

● In Mr Gorbachev's second recent gesture towards the *increasingly* restive Soviet military establishment, Defence Minister Gen Dmitri Yazov has been promoted to marshal.

This follows an announcement that May 9, Victory Day, which commemorates the defeat of Germany in 1945, will be marked for the first time in *years by a big display of mili*tary hardware in Red Square.

De Maizière seeks to reassure Moscow on Nato

By John Parker in Moscow

EAST GERMANY'S Prime Minister, Mr Lothar de Maizière, yesterday sought to reassure Soviet President Mikhail Gorbachev that his country's new conservative Government did not want to rush into the embrace of Nato without substantial changes to the western alliance's "structure and strategies".

But he reasserted his opposition to the idea – favoured by Mr Gorbachev – that a reunited Germany should be neutral. This, he said, would imply the continued existence of rival military alliances.

Mr de Maizière refused to spell out what kind of new structures and strategies he had in mind, beyond saying that "so far as structures are concerned, we believe Nato will play political and economic roles more and more and will have fewer military functions".

Steep rise in east bloc energy needs seen

By Steven Butler

THE SOVIET UNION and eastern Europe will require more than $2 trillion (million million) as energy investment during the next 15 years, in order to keep pace with expected economic growth, according to a study by Gaffney, Cline & Associates, energy consultancy.

The study, which aims to identify potential investment opportunities in the region, concludes that demand for primary energy in the Soviet Union and eastern Europe will increase over the next 15 years by between 518m and 924m tonnes of oil equivalent (toe), or between 26 and 46 per cent, depending on the speed of economic growth.

Natural gas will supply the largest portion of the increased demand, including 75 per cent of increased requirements in the power generation sector and half of incremental demand in the domestic, commercial and industrial sectors.

This would lift natural gas consumption in the region from 715bn cubic metres in 1988 to between 936 and 1,171bn by 2005. This demand would be supplied principally from the Soviet Union, but there could also be opportunities for suppliers from Europe, Africa and the Middle East.

Oil is expected to supply a third of the incremental energy demand, mainly in the transportation sector, where low levels of private vehicle ownership leave plenty of scope for growth. This would lead to increased consumption of between 4.1m and 6.3m barrels a day, equivalent to an annual increase of between 240,000 and 370,000 b/d, raising questions about how this demand would be satisfied.

"The implication for international oil prices of the political economic changes occurring in the eastern bloc is one of steadily-increasing upward pressure, which could manifest itself during the mid-1990s in accelerating oil price escalation beyond the previously-expected US$25 a barrel," the study says.

New trunk lines to supply both oil and gas from the producing regions of western Siberia are envisaged, as are big refurbishment programmes.

The study assumes the reforms under way in the region would, possibly after a hiatus of several years, produce economic growth rates similar to those in post-war eastern Europe. The high-growth model is provided by West Germany, assuming a high level of capital investment at 25 per cent of gross domestic product a year and strict control over inflation.

The low-growth scenario is modelled on Britain, with 15 per cent of GDP invested and a more relaxed anti-inflationary policy.

Although oil and gas would account for most increased consumption, coal-burning *is* also expected to rise more modestly, from 668m toe to between 741m and 837m toe, including domestic demand and exports. The study suggests that increased coal exports could be an attractive way to generate hard-currency earnings. The east bloc is unlikely to capture a significant share of the international coal market in this decade but it could become an important player in the next century.

The study does not examine the investment climate in any of the countries but makes a detailed country-by-country analysis of energy supply and demand.

The ability of the eastern European countries to satisfy demand from indigenous sources does not look bright. The Soviet Union holds more than 75 per cent of the east bloc coal reserves and more than 97 per cent of its oil and gas reserves.

These reserves are dwindling quickly.

The study also concludes: "the ability to supply future electrical power demand is likely to be a major headache". East bloc capacity would have to rise from 460.7 gigawatts in 1987 to between 650.3 and 804.6 gigawatts in 2005.

However, construction of oil-fired, nuclear or hydro-electric stations looks unlikely on any significant scale. Given the higher capital costs and long lead times for coal-fired station, plus growing environmental concerns, gas-fired plants using modern combined-cycle technology look most attractive.

Prospects For and Opportunities in the East European and USSR Energy Markets to 2005; Gaffney, Cline & Associates; 165 pages, £3,500.

EASTERN EUROPE AND SOVIET INVESTMENT OPPORTUNITIES TO 2005 ($bn)

COUNTRY	OIL	GAS	COAL	PIPELINES	REFINERIES	POWER	TOTAL
BULGARIA			<3	<1	1	2-4	6-8
CZECHOSLOVAKIA			12	<1	2	2-3	17-18
EAST GERMANY		5	24	<1	4	10-13	44-47
HUNGARY	2	4	<2	<1	1	3-7	12-16
POLAND	<1	5-10	40-45	<1	2	20-45	68-103
ROMANIA	13	25	5	<1	6	3-13	53-63
USSR	875	690-800	85-100	20-25	25	80-150	1,775-1,975
YUGOSLAVIA	8	4	5	<1	1	5-15	25-35
TOTAL	900	733-848	174-194	25-30	42	125-250	1,999-2,264

SOURCE: GAFFNEY, CLINE & ASSOCIATES

UK hopes resurface for building Canadian subs

By David White, Defence Correspondent

THE UK is returning to the battle *for Canadian submarine* orders, a year after the Canadian Government cancelled its plans for a fleet of nuclear-powered submarines.

VSEL, the sole British submarine producer, said Canada's Saint John Shipbuilding was bidding to supply four non-nuclear submarines using the UK company's Upholder class design. The submarines would be build in Canada and the proposed deal is estimated to be worth about £500m.

Canada has yet to make clear what it intends, following its decision to scrap plans for nuclear-propelled submarines to undertake lengthy patrols under the Arctic ice.

It was considering both the UK's Trafalgar class and the French Améthyste, based on the country's Rubis class.

In a politically highly-*charged competition*, VSEL was pitched against France's state-owned Direction des Constructions Navales for a contract covering 10-12 vessels and worth up to C$8bn (£4.2bn). But in the end both sides were disappointed.

Canada has just three submarines, all British-made Oberon class vessels more than 20 years old.

Speculation about a replacement order for diesel-electric submarines has focused on the Dutch Walrus class and Australia's Swedish-designed Type 471.

VSEL is building four Oberon class vessels for the Royal Navy. Under the proposed Canadian venture, Saint John Shipbuilding, now building frigates, would deliver its first submarine in 1998.

Turks detail seizures of 'gun shipments'

TWO separate consignments of parts for Iraq's giant gun project, and a suspected third ship*ment, were seized on entry to* Turkey, Turkish officials confirmed at the weekend, Jim Bodgener writes from Ankara.

Some confusion had arisen over the location of the shipment disclosed to be travelling via Turkey. Subsequently, one of the UK companies involved said there was another consignment in transit in Turkey.

It now appears that 12 large-diameter pipes were found at Haydarpasa on a truck on a roll-on, roll-off vessel from a Romanian Black Sea port, while a Bulgarian TIR truck loaded with 24 smaller 7.5-metre pipe sections was stopped at Kapikule on April 25, said the semi-official Anatolia news agency.

A Yugoslav lorry stopped at Kapikule will also be investigated.

Renault status changed for Volvo alliance

By Ian Davidson in Paris

A HISTORIC page in French *political mythology* was turned this weekend, when the National Assembly transformed the Renault car and truck maker from a privileged *Régie* of the French state into an ordinary public limited company.

The change in Renault's statutes, which was pushed through by the Rocard Government over a filibustering protest from the Communist Party, means Renault can now implement its share-swap alliance with Volvo of Sweden, concluded in February.

Nationalised in 1945, in retaliation for the collaboration of Louis Renault with the Nazis, Renault has since occupied a special place in the mythology of the French left, both as a symbol of French state industrial policy, and as standard-bearer of progressive wage and social policy.

Under the new law, the French state will continue to be the controlling shareholder in Renault, but it will make up to 25 per cent of the company's capital available for the industrial alliance between Renault and Volvo. Under the agreement, Volvo will initially take 20 per cent of Renault, with the option after three years of increasing this to 25 per cent.

The change in Renault's statutes should ease the long-standing dispute with the European Commission in Brussels, which has argued that Renault's generally privileged relationship with the French state, and in particular a FFr12bn (£1.3bn) public write-off of Renault debt, was in conflict with Community competition policy.

EUROPEAN SUMMIT

Downhill from Dublin to political reform

The vacuum of precise plans is likely to be filled soon, reports **David Buchan**

THE BALL has been set rolling for possibly extensive political reform – as well as monetary union – to take place in the European Community over the next couple of years.

But the fundamental division of opinion over ultimate political shape of the Community – between a majority of EC states led by France and Germany on the one side and Britain plus a couple of doubters on the other – produced, at least at Dublin Castle at the weekend, as even a compromise as the weak can ever wrest from the strong.

Chancellor Helmut Kohl and President François Mitterrand got the kick-off they wanted to the political union debate. Foreign ministers of the Twelve now have two months to produce proposals for their leaders to discuss in Dublin again in June, "with a view to a decision on the holding of a second inter-governmental conference to work in parallel with the conference on Economic and Monetary Union (Emu) with a view to *ratification* by member states in the same time frame".

These last few words of this key sentence in the Dublin communiqué contain a sting for Mrs Margaret Thatcher and the go-slow brigade, and they mark how far the Community has moved since the Strasbourg summit barely five months ago.

Then, the starting pistol was fired for formal Emu negotiations to begin in Rome at the end of this year, but Mr Kohl, let alone Mrs Margaret Thatcher, refused to see an end-date set on Emu ratification. Now, it is agreed that the Emu conference should "conclude its work rapidly with the objective of ratification by member states before the end of 1992".

The rachet effect of this latest formula is then redoubled by the talk of ratifying changes to EC political institutions "in the same time frame". Had Mrs Thatcher been the victim of a textual sleight of hand? The British leader said, stoutly, not so.

In the communiqué drafting, she had the words "in time for" ratification by end-1992 changed to "with the objective of". Besides, she said, "two years should be enough to know, certainly on political union, which way you want to go". Her reasoning was that, stripped of the verbiage and muddle-headedness surrounding "political union", there was, or would be, more underlying agreement on political than monetary union.

Her confidence in this calculation was clearly lifted on Saturday, when she succeeded in pouring temporarily effective scorn on the political unionists. She seized on the fact that the two weightiest proponents of political union – Chancellor Kohl and President Mitterrand – had chosen last week to make a statement on Lithuania at slight variance with that put out by the Twelve just days earlier.

Far from deploring that the Kohl-Mitterrand stance (as such as Denmark had), she praised it because it showed that, despite EC treaty obligations for foreign policy co-*ordination, the practice of* national initiative was alive and kicking in Bonn and Paris, as well as London.

In contrast, also, to Emu, where she stands alone, Mrs Thatcher has fellow-doubters on "political union" – a phrase which Mr Poul Schlüter, Danish Prime Minister, complained meant 100 different things. Mr Aníbal Cavaco Silva, Portuguese Prime Minister, also echoed Mrs Thatcher in saying that political union must be defined so that Europeans were not frightened into thinking that their national parliaments, legal systems and Nato defence commitments were in danger.

However, the vacuum of precise political reform plans, which gave Mrs Thatcher a free rhetorical run in Dublin, is likely to be filled soon. The Kohl-Mitterrand and Belgian plans will soon be fleshed out at meetings, first on May 17 with the European Parliament, which is crying out for new competences, and then the following weekend at a special meeting of foreign ministers in Ireland.

Britain will push for efficiency improvements in EC institutions that do not require treaty amendment, but Mrs Thatcher that predicted "most of my colleagues" will want changes which need treaty revision. Mr Kohl certainly *made clear he was ready to* surrender new powers to the Community, as part of the price of integrating pan-Germany to the EC.

So there is little hope for Mrs Thatcher that the political union ball will have rolled to a halt by the next time she meets her EC partners in the Irish capital in late June.

FRANCO-GERMAN LETTER KEY TO DEBATE

THE debate on political union in the European Community will be concentrated on the joint Franco-German letter of April 19, as well as on the proposals for institutional reform circulated by the Belgian Government in March, *writes Ian Davidson in Paris.* The Franco-German letter called for the convening of a second Inter-Governmental Conference (IGC) on political union, in parallel to that scheduled for the end of the year on Economic and Monetary Union (Emu). The letter said the political IGC should deal with four issues:

1. Reinforcing the democratic legitimacy of the union;

2. making the institutions more effective;

3. ensuring the unity and coherence of the union's activity in economic, monetary and political spheres;

4. defining and implementing a common foreign and security policy.

President François Mitterrand and Chancellor Helmut Kohl did not expound what they meant by these four tasks during the Dublin summit, since there was no substantive discussion of the underlying issues.

The Belgian paper concentrated on detailed proposals for strengthening the Community institutions. These included the general extension of qualified majority voting in the Council of Ministers to almost all issues, and the election of the President of the Commission by the European Parliament.

All together at Dublin: Mitsotakis, left, chats with Kohl, right. Hurd is top left

German unity welcomed

Extracts from the final statement of a special meeting of EC leaders in Dublin:

'The European Council expresses its deep satisfaction at developments in central and eastern Europe since the European Council at Strasbourg .

The Community warmly welcomes German unification. It looks forward to the positive and fruitful contribution that all Germans can make, following the forthcoming integration of the territory of the German Democratic Republic into the Community.

We are confident that German unification – the result of a freely expressed wish on the part of the German people – will be a positive factor in the development of Europe as a whole and of the Community in particular.

A point has now been reached where the continued dynamic development of the Community has become an imperative, not only because it corresponds to the direct interest of the 12 member states but also because it has become a crucial element in the progress that is being made in establishing a reliable framework for peace and security in Europe.

The European Council therefore agrees that further, decisive steps should be *taken towards European unity* as envisaged in the Single European Act.

German unification

We are pleased that German unification is taking place under a European roof. The Community will ensure that the integration of the territory of the German Democratic Republic into the Community is accomplished in a smooth and harmonious way.

The European Council is satisfied that this integration will contribute to faster economic growth in the Community, and agrees that it will take place in conditions of economic balance and monetary stability."

During the period before *unification, The Federal Gov*ernment will keep the Community fully informed of any relevant measures discussed and agreed between the two Germanys.

Internal and external development

In parallel with the process of the unification of Germany, the Community will continue its internal and external development. To this end, the European Council asks the relevant Community bodies to follow the guidelines set out below:

- The preparations for the inter-governmental conference on Economic and Monetary Union, which are already well advanced, will be further *intensified with* a view to permitting that conference, which will open in December 1990, to conclude its work rapidly with the objective of ratification by member states before the end of 1992.

- The movement to restore freedom and democracy in central and eastern Europe – and the progress already made, and in prospect, in arms negotiations – now make it possible and necessary to develop a wider framework of peace, security and co-operation for all of Europe.

To this end, the Community and its member states will play a leading role in all proceedings and discussions within the CSCE process and in efforts to establish new political structures or agreements based on the principles of the Helsinki final act while maintaining security arrangements member states have.

Central and eastern Europe

With regard to the countries of central and eastern Europe, the European Council welcomes the wide range of measures adopted or put in place over the past months, including the agreement on the European Bank for Reconstruction and Development, the conclusion of trade and co-operation agreements between the Community and most of those countries, the Community programmes on professional training and student exchange, soon to be fin*alised, and other important* actions in the context of the G-24 co-operation.

The European Council is of the opinion that transfers of private capital and investments towards these countries should be encouraged, and invites the Commission to study the implementation of the most appropriate accompanying measures (e.g. reassurance, granting of guarantees).

The European Council agrees that the action within the framework of G-24 should be extended to the GDR, Czechoslovakia, Yugoslavia, Bulgaria and Romania. The Community will work actively for the adoption of an action *plan for assistance to these* countries at the forthcoming G-24 ministerial meeting.

Discussions will start forthwith in the Council, on the basis of the Commission's communication, on Association Agreements with each of these countries of central and eastern Europe which include an institutional framework for political dialogue.

Political union

The European Council discussed the proposal of President Mitterrand and Chancellor Kohl on political union and the paper submitted by the Belgian government on the same subject.

In this context the European Council *confirmed its commitment to political union and* decided on the following steps:

- A detailed examination will be put in hand forthwith on the need for possible treaty changes, with the aim of strengthening the democratic legitimacy of the union, enabling the Community and its institutions to respond efficiently and effectively to the demands of the new situation, and assuring unity and coherence in the Community's international action.

Foreign ministers will undertake this examination, and analyse and prepare proposals to be discussed at the European Council in June with a view to a decision on the holding of a second inter-governmental conference to work in parallel with the conference on Economic and Monetary Union with a view to ratification by member states in the same time frame.

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OVERSEAS NEWS

Bush faces twofold risk over 'Super 301' sanctions on India

President's concession to Congress could prove a potentially costly gesture, **Nancy Dunne** reports from Washington

PRESIDENT George Bush again embraced multilateralism as the antidote to economic stagnation and world trade imbalances when he dropped Japan from the "Super 301 hit list" which allows the US to retaliate against a country deemed an "unfair trading partner".

His decision on Friday to cite India for the second straight year was a concession to Congress, which wanted its "Super 301" club wielded. The gesture was potentially costly, particularly if followed by retaliation against India for refusing the US demand for talks. Mr Bush must impose sanctions by January 16 or say why not.

The risk is twofold. Singling out a struggling developing country could harden the resistance of other Third World governments opposed to US aims in the Uruguay Round. Congress, frustrated over the President's tough line towards Japan, could withdraw its own support for the round.

Mr Bill Archie, US Chamber of Commerce vice-president, said Congress will monitor the way Japan implements its recent pledges to open its markets. If Congress is not satisfied, it may refuse to extend the administration's vital "fast-track" negotiating authority which expires next spring. ("Fast-track" authority represents a commitment by Congress to vote on the Uruguay agreement as a whole within a specified time.)

Its loss could be devastating if the round fails to end on schedule in December. The talks already face a dubious future. Any significant agreement on new farm trade rules still seems unlikely, though the principal combatants – the US and EC – have agreed to bi-monthly meetings to devise a compromise.

The Bush Administration, beset by a strong domestic textile lobby, has shown no sign of moving towards real liberalisation in that sector; without reforms in agriculture and textiles, the developing countries have little incentive to agree to open their markets to trade in services and to liberalise moves for foreign investment.

Congress is generally in favour of the round, but is sceptical US aims can be achieved. Further, it is annoyed that "Super 301", the centrepiece provision of the aggressive 1988 trade war, has been recreated by Mrs Carla Hills, US Trade Representative, as simply one of the "tools" in her trade negotiating arsenal which she can employ or not.

Typical of congressional reaction was a four-page statement by Senator John Danforth, a Missouri Republican, expressing his disappointment about the failure to name Japan to the "Super 301" list. "When Congress created 'Super 301', it had more than Japan in mind, but it certainly had no less than Japan in mind," he said.

"To suspend the use of a policy which is a proven success suggests that the Administration intends to rely less on the formal structures established in our trade laws and more on the pursuit of agreement that may not be sufficient or enforceable in the long run."

One of President Bush's own main weapons in the round is Mrs Hills. Not only has she won an unprecedented number of promises from Japan (albeit with the help of the President and her more experienced deputies) but she has handled Congress brilliantly.

On Friday, she explained her success with Japan and it was typical of her cool realistic style. "We prepared very, very well," she said. "We allied ourselves with Japanese who were speaking of reforms. It is no accident that now a majority of people in Japan believe our goals in opening their markets are right on track."

In Congress, she soothes, promises and stands tough. "I am their negotiator," she said. "If someone outside the negotiating process is going to try to conduct the talks and tell me what tool to use, that is a questioning of the negotiator."

Mr V.P. Singh, India's Prime Minister, has reiterated his country's stand that it will not negotiate trade treaties under threat, rejecting talks with the US to avoid retaliatory measures under the US Trade Act, K.K. Sharma reports from New Delhi.

Such retaliation is possible by the middle of June following the retention of India as the sole country under the Super 301 clause of the Trade Act.

Reports from Washington said that Japan and Brazil, the two other countries named for resorting to "unfair trade practices" last year, had been removed from the list.

India has refused to negotiate the issue with Washington because it felt meetings on the Uraguay round under GATT auspices were the proper forum for discussions on trade issues and because it felt it could not allow another country to pass legislation affecting its rights. Last year the US put India on the "hit list" for not allowing foreign firms to participate in insurance business, for putting limits on foreign investment and for other restrictions on trade.

No formal negotiations on the issues have taken place between the two countries, although Indian officials have explained to their US counterparts their government's policies gradually to deregulate economic policies.

Any retaliatory measures taken under Super 301 by the middle of June, when the deadline to take corrective measures expires, could seriously harm India which is going through a serious balance of payments crisis.

Europe urged to confront challenge of 'new skills for old'

Brussels should be less preoccupied with cross-border mobility of workers, a study says. **John Gapper** reports

THE VISION of workers moving freely across national boundaries to take jobs in other countries is one of the most enticing aspects of the Single European Market programme. It suggests an initiative of direct economic benefit not only to countries and companies, but to citizens as well.

If engineers from Bristol started to seek jobs in Boulogne and Bremen, it could help smooth out regional mismatches in skills supply and demand. Not only might the workers themselves secure a more interesting working life, but the labour market would function more smoothly.

Until east European borders opened last year, the most notable post-war mass movement of labour across European frontiers was by Mediterranean farm workers into West German and French manufacturing industry in the early 1960s.

Probably the only regular flows of people in other than professional and managerial jobs are in trades in which mobility is a tradition irrespective of 1992. The hotels and construction sites of Europe have always been full of a wide mix of young people of many nationalities.

Even the European Commission expects change to be gradual. Not only have governments yet to agree on legislative measures such as mutual recognition of vocational qualifications and the psychologically important removal of border controls; it is also recognised in Brussels that many manual workers are likely to remain reluctant to *uproot to another countries.*

But, according to a new study*, prospects for a more dynamic and integrated European labour market confront a still more fundamental obstacle.

It says that Europe should be less preoccupied with encouraging mobility of workers across borders and more concerned with equipping them with skills needed to fill the new types of jobs created by industrial change.

The author, Mr Amin Rajan, a visiting professor at London's City University Business School, says that without a determined effort to tackle this problem, the economic objectives of the 1992 programme will be seriously compromised.

He finds demographic trends common to most European countries, combined with inadequacies in education and training, risk producing a European workforce increasingly immobile – even within national economies. It will grow smaller, older and be badly-equipped for change.

One problem is created by the fall in the birthrate, which is currently reducing the number of school-leavers in most economies.

By 1995, the EC labour force will be contracting by 250,000 people a year and the drain will increase to 1m a year by early next century.

Mr Rajan also points to a skills gap likely to be caused by the ageing of the workforce. The largest growth will be among the 45- to 64-year-old workers, many of whom received minimal schooling, were exposed to a high incidence of unemployment and were given little training at work.

He argues that even countries that have made training and education a national priority may not succeed in producing a sufficiently skilled workforce.

As they try to remedy the lack of importance placed on vocational training in the 1980s, the demands on the *workforce will grow rapidly.*

France is currently trying to raise the proportion of 15- to 19-year-olds in full-time education from 50 per cent now to 80 per cent by the middle of the decade. However, changes in the country's industrial structure requiring higher skill levels will swallow up this effort.

The occupational groups that are likely to expand will include teachers, managers and service workers. At the same time, farming and other manual work will decline. Thirty-eight per cent of workers will need baccalaureat qualifications in the year 2000 compared to 22 per cent in 1982.

In other EC countries, the problem could be worse. Mr Rajan says countries including Greece, Spain and Portugal have "the propensity to turn out successive generations of under-qualified employees". By early next century, most Portuguese are likely to have only seven years' education.

Mr Rajan believes the completion of the single market will intensify demands on education and training systems. Products and services will become increasingly customised, and will demand a high *level of flexibility* and knowledge among those who work in all sorts of industries.

Changes in industrial structure will require European workers to accept three distinct forms of mobility if the single market programme is to make the predicted gains:

- **Within jobs:** They will have to be willing to re-train constantly and adapt the way they perform tasks to keep up with increasingly rapid product cycles. This implies a high basic level of education equipping them to take on additional training in quite new tasks.

Mr Rajan talks of a growth of demand for "knowledge workers" in sophisticated service industries at the same time as manufacturers automate tasks previously performed by skilled and semi-skilled workers. These workers will need to generate innovations in the content of their own jobs.

- **Between regions:** The scarcity of skills in areas of industrial concentration is likely to dampen growth unless labour mobility provides a mechanism for re-distributing skills.

Mr Rajan says greater labour mobility would allocate *increasingly scarce skills more* effectively, though he shares the Commission's doubts about the prospect of big increases in mobility across national boundaries.

- **Among industries:** Productivity growth has consistently been lower in service industries than in manufacturing, partly because of the relative difficulty of introducing automation. But Mr Rajan argues that education systems are also inadequate to prepare workers for service employment.

Unless training and education is modified, it may be hard for newly-unemployed workers to be absorbed successfully into companies delivering sophisticated services. In turn, this could limit output growth in services and slow economic growth throughout the EC.

All this amounts to a formidable range of demands on workers. But it also means countries will have to treat labour mobility more seriously than they have done up to now. Labour market stresses created by limited mobility within countries in the 1980s may be only a taste of things to come.

There could be a further *problem in store even for those* countries which are virtuous in training their workforces in higher level skills.

Mr Rajan's "knowledge workers" are far more likely than lathe operators to seek jobs in different EC countries as the single market takes effect.

The frustrations of immobility imposed on workers by narrow job structures could be replaced by wider frustration for Governments. They may train workers in new industrial skills only to see them move across national boundaries to competitor countries.

- **1992: A Zero Sum Game; By Amin Rajan; Industrial Society, Quadrant Court, 49 Calthorpe Road, Birmingham B15 1TH; £27.50.*

1992 THE EUROPEAN MARKET

Vietnamese boat people flee HK camp

HONG KONG police searched hillsides and towns for about 100 Vietnamese boat-people they believe to have escaped from one of the colony's closed camps yesterday, Reuter reports from Hong Kong.

The hunt started after holes were found in the fence around Whitehead detention centre in the New Territories. The boat-people escaped from a section described as almost a "no-go" zone.

Torture 'used on Chinese prisoners'

Chinese police torture prisoners to extract confessions, killing or wounding many, an official has said in a report on power abuse by police, Reuter reports from Peking.

China had investigated 2,900 cases of "bribes, extortion of confessions by torture, and illegal detention" from January to March, Deputy Chief Procurator Liang Guoqing is quoted as saying.

Liang's report seems the first official confirmation of beatings and torture after crackdowns on last year's democracy movement and Tibetan independence protests.

Slight rise in French jobless

French unemployment rose slightly in March for the second month running, halting the steady improvement of the previous six months, Ian Davidson reports from Paris. But the rise to just over 2.5m, seasonally-corrected, is too small to have changed the jobless rate, at 9.4 per cent.

Mubarak to visit Damascus

Egyptian President Hosni Mubarak will visit Syrian President Hafez al-Assad in Damascus on Wednesday to end years of bitterness between the two countries, presidential sources said yesterday, Reuter reports from Cairo.

Cairo and Damascus fell out in 1977 after Egyptian President Sadat's visit to Jerusalem. Diplomatic ties were reopened in December and ambassadors took up their posts this month.

OVERSEAS NEWS

Brothers in arms embrace 'new era' in Middle East

Tony Walker and **Lamis Andoni** examine the changing relationship of King Hussein and Yassir Arafat

THE front pages of Jordan's press late this month brought wry smiles to the faces of observers of the many ups and downs in relations between Mr Yassir Arafat and King Hussein.

The old protagonists of Middle East politics were once again photographed in enthusiastic embrace at the beginning of what PLO and Jordanian officials are describing as a "new era" in relations between the two.

"This time," the officials say, "things will be different." They were referring to the many estrangements of the past that followed ill-fated and often ill-conceived attempts by the two to co-ordinate their activities, especially on the issue of Middle East peace.

The democratisation process in Jordan, say local observers, has been important in helping to lessen tension between Jordan and the PLO. Contentious issues that have divided them in the past such as the allegiance of Jordanian citizens of Palestinian origin are now being openly discussed.

The King's announcement in July, 1988 that he was foreswearing administrative responsibility for the one million Palestinians in the West Bank has led to a more realistic appraisal of where both sides might be heading.

The "separation" of the East and West banks in the Jordanian mind will simplify planning for a future relationship between two independent states on either side of the Jordan in the event of a regional peace settlement.

Mr Arafat and King Hussein have been brought together more particularly by their joint fears of the threat that the new wave of Soviet Jewish immigration to Israel poses to their interests both separately and collectively.

The King worries that the pressure of immigration will cause unbearable tensions along the boundary between the Israeli-occupied West Bank of the River Jordan and his own East Bank Kingdom. Mr Arafat fears that new settlers will crowd into Jerusalem and into the territories, foreclosing any possibility of a resolution of the Arab-Israel dispute for generations to come.

At the start of his Jordan visit the PLO leader said that the influx of Soviet Jews to Israel "threatens the region's national security."

Mr Ibrahim Izzeddin, Jordan's Information Minister, said, in an interview, that the PLO and Jordan now find themselves in the "one boat, and they have to solve the imminent danger facing the Palestinians and the Jordanian people."

Another factor said to be influencing Jordan in its desire to patch up differences is its economic crisis. Jordanians of Palestinian origin, representing more than 50 per cent of the population, are sensitive to changes in the political mood.

Tensions between Mr Arafat and King Hussein after the collapse of their 1985-86 peace initiative eroded the confidence of Palestinians in Jordan in the future. This affected new investment, remittances and contributed to the collapse of the Jordanian dinar.

The PLO and Jordan have, in the meantime, taken steps to strengthen their co-ordination in an attempt to deal with new uncertainties across the Jordan river.

The move by militant Jewish settlers into the Christian quarter of Jerusalem has caused particular alarm because of fears that this may prove to be the beginning of a new settlement drive into Arab east Jerusalem. A PLO official said that "both sides believe that their immediate battle should be to draw world attention to what is happening in Jerusalem."

There is talk of Mr Arafat and the King leading delegations to world capitals to protest at developments in both Jerusalem and in the occupied territories themselves where settlement activity appears to have accelerated following the collapse last month of the national unity government.

But Mr Marwan Qasem, Jordan's Foreign Minister, said it would be up to the "Palestinian people" to "decide what they want, whether they want unity, federation or confederation with Jordan." Neither side, in the new era, it seems intends to rush into exchanging marriage vows. A less turbulent courtship is expected.

Mending fences: PLO leader Yassir Arafat (left) makes his point to King Hussein of Jordan during talks in Amman

Slovo takes hard line on business in S Africa

By Patti Waldmeir in Cape Town

MR JOE Slovo, general-secretary of the South African Communist Party (SACP) and the man long regarded by Pretoria as white South Africa's worst enemy, yesterday delivered a hard-line speech in praise of black majority rule and nationalisation. He was addressing his first public rally since he returned from 27 years in exile.

Speaking in the Coloured township of Mitchell's Plain, near Cape Town, before talks between the African National Congress (ANC) and the South African government, Mr Slovo ruled out any notion of a white veto over a future South African government.

The SACP leader, who will play a leading role in the 11-member ANC delegation to the talks, due to begin on Wednesday, said the ANC was willing to protect language, culture and religion within a new constitution. But it would not compromise on the issue of majority rule.

Mr Slovo defended nationalisation as a way to improve the economic lot of deprived South Africans, and said redistribution of wealth would be a key issue in the talks. He stressed that the ANC would seek to abolish economic privilege based on race.

Luanda and Unita meet secretly in Portugal

By Peter Wise in Lisbon

OFFICIALS of the Angolan government and the Unita rebel movement met secretly in Portugal last week for talks on ending the 15-year civil war in Angola, Mr José Durão Barroso, Portugal's Foreign Ministry Secretary of State, disclosed this weekend.

He said high-ranking delegations from the two sides met on Tuesday and Wednesday at Evora, 100 km east of Lisbon, for exploratory talks on establishing principles which could be a base for negotiations.

The talks, breaking a long deadlock in peace efforts, represented the first direct contact between the Angolan government and the rebels since a short-lived cease-fire pact was signed in Zaire last June. Negotiations are to continue in secret.

Mr Durão Barroso cautioned that deep divergences continued between the two sides, principally the Luanda authorities' lack of firm commitment to a multi-party system and Unita's refusal to recognise the Angolan government.

He said Portugal was using its good offices at the request of both sides.

News of the talks came amid reports of continued military operations in Angola, including a Unita sabotage attack that blacked out the capital.

Asia 'may face stronger trade barriers in Europe after 1992'

By Robin Pauley, Asia Editor

ASIA, the most economically dynamic and rapidly growing continent, faces significant risks from the integration into a single market of the European Community in 1992, says the 1990 Asian Development Outlook by the Asian Development Bank.

The reduction of barriers to the circulation of goods within the EC should benefit Asian exporters, as well as producers in the EC, by giving them access to a wider market. If the level of external protection remains relatively constant, these benefits should outweigh the costs imposed by a uniform tariff on non-EC imports. Also, greater dynamism in the EC should increase the prospects for the sale of goods with a high income elasticity of demand, such as electronic goods, jewellery and precious stones.

But there are also substantial risks from integration, says the report. "Despite assurances that the average level of external protection will not be increased as national tariffs are converted to a common EC structure, fears remain that non-tariff barriers in the more restrictive countries may be adopted by the EC as a whole, thus increasing the average level of external protection."

Food products, textiles, clothing, cars, electronics and telecommunications are among the goods currently most affected by non-tariff barriers – subsidies, quotas, voluntary export restraints, anti-dumping rules. The report notes that the 1985 EC white paper called Completing the Internal Market contains no precise proposal for timing and implementation.

"In addition, the pressure to maintain or increase these barriers has mounted recently, particularly in southern member states of the EC where temporary restrictions on intra-European trade in foreign goods and anti-dumping actions have intensified. Pressure to extend these restrictions is likely to be increased by greater competition within the EC itself."

A protectionist trade policy, coupled with restrictions on direct investment, would guarantee that scale economies opened by integration were reserved for European companies.

The report says that Japan, the newly industrialised economies of Asia and, to some extent, the ASEAN countries are the most likely targets for trade discrimination by the EC.

"Import penetration by these countries has increased dramatically in the last two decades and the EC trade deficit with Asia has grown apace. Greater EC investment in Asia would help to reduce these imbalances but, so far, the main result of increased competition from Asia has been rising protectionist sentiment within the EC."

More than 60 per cent of EC trade is intra-trade, while Asia trades more outside its own region. So trade flows between Asia and the EC represent a much larger share of total trade in Asia than for the EC.

Intra-Asian trade has been growing strongly in recent years. Total trade – exports plus imports – among the 15 major Asian economies grew by 31 per cent in 1988 to $234bn. This meant that, in 1988, Asia's exports to Asian countries outstripped Asian exports to North America.

Asian Development Outlook 1990; ADB, PO Box 789, 1099 Manila, Philippines.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		Mar.'90	Feb.'90	Jan.'90	Mar.'89
UK (£bn)	exports	8.368	8.433	8.502	7.421
	imports	10.544	9.827	10.522	9.327
	balance	−2.176	1.394	−2.020	−1.906
France (FFrbn)	exports	100.105	98.271	105.454	96.485
	imports	100.963	99.349	105.865	96.835
	balance	−0.858	−1.078	−0.441	−0.350
		Feb.'90	Jan.'90	Dec.'89	Feb.'89
US ($bn)	exports	31.630	31.940	30.843	28.582
	imports	38.116	41.261	38.552	37.503
	balance	−6.486	−9.321	−7.678	−8.921
Japan (US$bn)	exports	22.844	22.021	21.260	23.659
	imports	16.887	16.982	17.422	14.031
	balance	+5.957	+5.039	+3.839	+9.628
		Jan.'90	Dec.'89	Nov.'89	Jan.'89
W Germany (DMbn)	exports	57.50	53.10	53.80	52.50
	imports	44.00	44.00	43.90	40.00
	balance	+13.50	+9.10	+9.90	+12.50

CONTRACTS & TENDERS

République du Zaïre
Département du Commerce Extérieur

Société Nationale de Trading «SONATRAD»

Appel d'offres international n° DTR/AC-FIN/SN 001/90

Pour la fourniture de matériel informatique et de progiciels opérationnels

1. OBJET
La Société Nationale de Trading «SONATRAD» met en adjudication publique la fourniture des matériels et services susmentionnés destinés à la Société Nationale des Chemins de fer Zaïrois «S.N.C.Z.».
Les fournitures seront financées par un prêt accordé par la Banque Africaine de Développement (B.A.D.) au Conseil Exécutif de la République du Zaïre.

2. DESCRIPTION DES FOURNITURES
Le présent appel d'offres porte sur:
– d'une part, la fourniture et l'installation CIF LUBUMBASHI d'un ensemble informatique et;
– d'autre part, la fourniture et l'implantation opérationnelle de progiciels, regroupés en un seul lot indivisible comportant onze postes:

Poste 1: Les ordinateurs centraux (super mini et mini) du Centre Informatique de LUBUMBASHI;
Poste 2: Les ordinateurs décentralisés (mini-ordinateurs) du site de LUBUMBASHI;
Poste 3: L'équipement en postes de travail informatiques des Départements/Services utilisateurs de LUBUMBASHI;
Poste 4: L'équipement informatique de la Direction de la Région Sud à LIKASI;
Poste 5: L'équipement informatique nécessaire au fonctionnement du réseau de télécommunications et/ou télétraitements qui relie les équipements et les utilisateurs des différents sites;
Poste 6: Les logiciels de base («système») nécessaires aux équipements ci-dessus;
Poste 7: Les logiciels d'application:
— reprise ou conversion des applications existantes;
— la fourniture et l'implantation des progiciels de commerce.
Poste 8: La formation du personnel informaticien de la S.N.C.Z. aux nouvelles techniques utilisées et aux nouvelles applications;
Préalablement à la livraison du matériel et pour en préparer la réception, une formation spécifique au matériel et progiciel choisis sera dispensée à un groupe restreint composé de:
— 2 hommes système sur super-mini
— 2 hommes système sur mini
— 2 informaticiens formateurs au progiciel de gestion des approvisionnements choisi
— 2 informaticiens formateurs au progiciel de gestion des finances choisi.
Poste 9: Les fournitures des consommables; (cfr. clauses V.2.14);
Poste 10: L'installation et la mise en marche de l'ensemble;
Poste 11: La maintenance du système pendant deux ans après la réception définitive du matériel.

3. RETRAIT DU DOSSIER D'APPEL D'OFFRES
Le dossier d'appel d'offres établi en français, peut être obtenu contre espèces ou contre remise d'un chèque barré d'un montant de 300.000 zaïres ou 30.000 francs belges à partir du 20 avril 1990 aux adresses suivantes:

1. SOCIETE NATIONALE DE TRADING – «SONATRAD»
BUILDING C.C.I.Z. – 22è NIVEAU – B.P. 15.711
KINSHASA/I
TELEPHONE: 30.592-30.598-32.304-24.967 – TELEX: 21.632
TELEFAX: 30.592
REPUBLIQUE DU ZAIRE

2. SOCIETE NATIONALE DE TRADING – «SONATRAD»
AGENCE DE BRUXELLES
15, RUE DE LA LOI, BOITE 052
B-1040 BRUXELLES
TELEPHONE: 02/230.37.97 – TELEX: 26.444 B
TELEFAX: 02/230.47.62
BELGIQUE

3. SOCIETE NATIONALE DE TRADING – «SONATRAD»
AGENCE DE LUBUMBASHI
225, AVENUE M'SIRI – B.P. 1573
LUBUMBASHI
TELEPHONE: 22.53.71-22.52.49 – TELEX: 41.034
TELEFAX: 3.816
REPUBLIQUE DU ZAIRE

4. PARTICIPATION
La participation à la concurrence est ouverte à égalité de conditions à tout fournisseur ressortissant des pays membres de la B.A.D. et des pays participants au FAD.

5. SOUMISSION
Les offres doivent parvenir sous pli fermé, par envoi postal recommandé ou par porteur contre accusé de réception, à:

SOCIETE NATIONALE DE TRADING «SONATRAD»
BUILDING C.C.I.Z. – 22è NIVEAU – B.P. 15.711
KINSHASA/I

avant le 20 juillet 1990 à 10 heures locales précises, date et heure auxquelles il sera procédé, en séance publique, à l'ouverture des offres.
Le soumissionnaire prendra toute disposition utile pour s'assurer que sa proposition parviendra à l'adresse ci-dessus avant la date limite fixée.
Pour être prise en considération, les offres doivent parvenir à cette adresse avant la date et heure indiquées ci-dessus.

6. OUVERTURE DES OFFRES
Les offres seront ouvertes en séance publique à KINSHASA (REPUBLIQUE DU ZAIRE), Building C.C.I.Z., 22ème Niveau, le 20 juillet 1990 à 10 heures, heure locale. Le Building C.C.I.Z. est situé dans la Zone de Gombe non loin de l'Hôtel INTERCONTINENTAL.

«SOCIETE NATIONALE DE TRADING» «SONATRAD»

LEGAL NOTICE

JOB INSURANCE AGENCY LIMITED
Company Number 1661423

NOTICE IS HEREBY GIVEN THAT:
By a document signed by all of the Members of the above company in lieu of an Extraordinary General Meeting and dated 5th April 1990, resolutions were unanimously passed authorising the payment of £996 out of the capital of the company in respect of the purchase by the company of 333 shares of £1.00 each from the Executors of Geoffrey Ralph Merton, 333 shares of £1.00 each from Mrs Flavia Jane Hancock and 333 shares of £1.00 each from Mrs Laura Rachel O'Shea. The amount of the permissible capital payment was £996.

The statutory declaration and auditors' report dated 2nd April 1990 are available for inspection at 246 Bishopsgate, London EC2M 4PB the registered office of the company.

Any creditor of the company may apply to the High Court pursuant to section 176 of the Companies Act 1985 within five weeks immediately following the date of the aforementioned resolution, 5th April 1990 for an order prohibiting the payment.

Dated 5th April 1990.

Signed: Laura O'Shea
Capacity Director.

No. 001905 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF SWADDLERS LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 9th April 1990 confirming the reduction of capital of the above-named Company from £25,000,000 to £14,162,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned act were registered by the Registrar of Companies on the 13th day of April 1990.

Dated this 27th day of April 1990

Mackenzie Mills
75 Shoe Lane
London EC4A 3BQ

Solicitors for the Company.

ISIS GROUP PLC

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 19th March 1990 confirming the cancellation of the Share Premium Account of the above-named Company was registered by the Registrar of Companies on 7th April 1990.

DATED this 30th day of April 1990.

Biddle & Co., 1 Gresham Street, London EC2V 7BU. Solicitors for the above-named Company.

“There shall be work and security...

Higher education and technical training shall be opened to all...

There shall be houses, security and comfort...

...food plentiful... and no one shall go hungry...”

From the ANC Freedom Charter, 1955.

IF THE SOUTH AFRICAN ECONOMY DOESN'T DELIVER, HOW CAN ANY POLITICIAN HOPE TO?

South Africa is at a critical time in its history.

If negotiations succeed, it is to be hoped that the country will become a non-racial, multi-party democracy based on one man, one vote.

That is, at least, what we at Anglo American, South Africa's biggest group of industrial and mining companies, hope for.

But not all democratic constitutions offer a path out of stagnation and deprivation.

The 'people's democracies' of Africa and Eastern Europe are testimony to what happens when people are denied access to both the ballot box and the market place.

The new South Africa must be much more than a democracy in name only.

Its constitution, however it is finally devised, must reflect a political and economic structure that creates wealth rather than re-allocates poverty.

A strong and growing South African economy *is vitally important to the political ambitions of all the negotiating parties.*

Only if it thrives can any government of the future have a chance of realising black South African expectations, or live up to its promises.

The economy of South Africa has only a 2% growth rate, and 15% inflation.

Sixty per cent of the population are under 20. If these people are to have the jobs, houses and education they rightfully expect in the future, a huge economic recovery must take place.

It will not happen if South Africa merely substitutes one state-controlled, interventionist society for another one.

Any new constitution, we believe, must not only offer freedom of opportunity to all South Africans, it must welcome and encourage free enterprise and wealth creation.

It must retain and attract foreign investment.

And it must give its citizens the freedom to choose their leaders in a multi-party system.

(So that the government is always accountable to the governed.)

Only then will a democratic South Africa be able to house, educate and employ its peoples in a vigorous, stable and growing economy.

A democracy which not only satisfies the aspirations of all its people, but is the engine of growth and development for the whole of Southern Africa.

Anglo American cannot prescribe solutions to the political leaders who will soon talk, negotiate and compromise over the choices now facing South Africa.

But as a successful business organisation that has played a major role in the economic development of Southern Africa, we can help to clarify the options which are becoming available to South Africans.

Which is why we are publishing 'Shaping a future South Africa – A Citizen's Guide' to help inform South Africans on the choices they will make.

We at Anglo American have a strong *belief in the future of South Africa.*

A future that must be better, and more prosperous, than its past.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA

IF YOU'D LIKE TO KNOW MORE ABOUT WHAT WE'RE DOING, PLEASE WRITE FOR OUR FACT BOOK TO: AAC, DEPARTMENT NO. FT04, PO BOX 43, LONDON EC1P 1AJ ALLOW 28 DAYS FOR DELIVERY.

NEWS IN BRIEF

Call for review of Bail Act

SOME 40 per cent of remand prisoners are later found not guilty or given non-custodial sentences, according to figures published today by the National Association for the Care and Resettlement of Offenders (Nacro), which says too many defendants charged with non-violent offences are remanded in custody.

The Government should review and tighten the provisions of the Bail Act to "eliminate the remand in custody of defendants who could safely be given bail," Nacro says.

Brokers to merge

EDINBURGH's two largest stockbrokers are to merge and trade under the name of Bell Lawrie White.

Both of the stockbrokers, Robert White and Bell Lawrie, are part of the TSB Group.

Bell Lawrie White will be a subsidiary of Hill Samuel Investment Services. It will manage more than 20,000 portfolios with funds of about £3bn.

BA to name site

NEWCASTLE UPON TYNE is expected to be chosen by British Airways next month as the site for its new flight reservation centre. The project is likely to bring several hundred new jobs to the city.

BA last night confirmed it was looking at a large new site in Newcastle for a possible development but would not comment further.

If Newcastle is chosen as expected, most of the jobs are likely to be filled locally. The project would not involve large scale relocation of BA staff from London.

Campaign dropped

OXFAM bowed to pressure from the Charity Commissioners yesterday and dropped plans to campaign for sanctions against South Africa.

The action was taken on the orders of the commissioners, who are holding an inquiry to decide whether Oxfam has broken the law by engaging in "undue political activity."

However, Oxfam said that at the inquiry it would defend its right to promote sanctions.

DTI insider dealing paper leads to disagreement

By Richard Waters

STOCKBROKERS and institutional investors have fallen out over a government consultative paper on insider dealing which could have a significant impact on the way companies communicate with the stock market.

The disagreement surrounds the extent of guidance that companies should give to brokers' analysts. Brokers fear that views in a Department of Trade and Industry paper issued late last year could restrict the communication between companies and analysts. That would undermine the analysts' position as intermediaries between companies and the stock market.

Groups representing institutional investors, meanwhile, support the Government's view that no price-sensitive information should ever be selectively disclosed to analysts, but should be broadcast to the stock market.

The DTI paper concerned legal changes which will be needed to implement the European Community's directive on insider dealing.

The debate has nothing to do with the proposed new law itself, but has been prompted by a government interpretation in the paper of the way the law now operates. The interpretation is that brokers and company directors might be breaking the law if their discussions touched on price-sensitive matters.

Brokers fear this view could be used to support insider dealing convictions at a later stage.

In a submission to the DTI, Barclays de Zoete Wedd, the investment banking arm of Barclays which has a large broking operation, says: "We are concerned that no distinction appears to be made between those occasions when selective disclosure to analysts is for the benefit of investors and the market as a whole, and when it is special knowledge regarding particular situations disclosed for other purposes."

In the first case, it suggests, analysts should have access to price-sensitive information, since that helps them to act as "a useful conduit" to the market to prevent shares from trading "at an unrealistic level as a result of unwarranted market expectations."

Other brokers echo BZW's view, and say that there is a danger that company directors will stop talking as openly to analysts rather than risk breaking the law. Big investors largely support the government's view.

According to one trade association of institutional investors, which declined to be named but said its views were shared by other similar bodies: "It is wrong if a company gives an analyst, or group of analysts, information which is not generally available. Whether brokers like it or not, it has to wrong."

Companies should communicate only their "general outlook and philosophies" in selective discussions, and brokers' analysts should be left to interpret only information which is already public, the body said.

● A consensus is developing in the City that the Government should introduce a civil sanction against insider dealing in addition to the existing criminal one, since at present too few prosecutions succeed.

The burden of proof under a civil action would be lower, making it easier to obtain convictions in what is a notoriously difficult area of the law to police and to prosecute.

The Securities and Investments Board (SIB) has led the call for change, supported by other bodies.

SIB to drop curb on 'soft' commissions

By Richard Waters

A PROPOSED cap on "soft" commission agreements between investment managers and stockbrokers is to be abandoned. The limit was intended to protect investors from abuse.

Such commission arrangements involve investment managers giving business to a broker in return for a range of services, and not just for the stock market research offered in traditional broker/client relationships.

Critics say that the services on offer have sometimes amounted to bribes.

Allegations of brokers giving flight tickets and similar gifts to clients have opened the area to criticism, although "soft" commission brokers argue that the criticisms are overstated.

In the face of potential abuse, the Securities and Investments Board (SIB) last autumn proposed that fund managers should be allowed to channel no more than 25 per cent of their business through soft commission brokers.

However, the SIB is expected to announce shortly that it is dropping this idea, mainly on the grounds that it is anti-competitive. Restricting soft commission business would unfairly favour "traditional" brokers, who would be assured of three quarters of fund managers' deals, regardless of whether clients wanted the research they offered.

Other arguments against the cap are believed to have helped make up the SIB's mind. For instance, it is difficult to apply a single ceiling across the industry.

Index funds, which track stock market indices slavishly, have no need for brokers' research and argue that being forced to give three quarters of their business to "traditional" brokers is wasteful.

Also, it would be almost impossible to apply the 25 per cent cap. The total commission to be paid under a "softing" arrangement is agreed in advance.

On the other hand, total commission business fluctuates, depending on stock market volume – total commissions this year are expected to reach £250-300m, well down on last year, making it difficult to restrict "softing" to 25 per cent when the total is not known in advance.

The decision to abandon the ceiling will have little immediate effect according to "soft" commission brokers, who estimate that "soft" commissions account for no more than 10 per cent of the total commission business.

The SIB has not otherwise changed its stance on soft commissions, which is that such arrangements should be disclosed to clients, and that the services should be restricted to things which help the fund manager to do his job better.

A birthday to look forward from

Hazel Duffy on the celebrations for the CBI's 25th anniversary

TODAY, big business names will flock to Centre Point in London for a conference to celebrate the 25th birthday of the Confederation of British Industry.

The conference, at the CBI's headquarters, will be spiced with people from the diplomatic and academic worlds as well as royalty in the form of Prince Philip.

Mr John Banham, the director-general, and his guests will look forward over the next 25 years rather than back over the last ones. Some would say it is wise for the leaders to steer away from a day of self-congratulation on the past.

It has been a bumpy quarter-century for the employers' organisation which was formed from three representative bodies of employers and industry, and was granted a charter in 1965. The aim was to strengthen industry's voice and to create a counterpart for the Trades Union Congress.

In the sense of getting a seat at the top tables, it worked. The presidents and directors-general of the CBI were consulted by ministers in the 1970s, when the fashion for tripartism – government, trade unions, employers – was at its height.

There may not have been much in the way of agreement between the parties, but at least the CBI leaders were there. As Chancellor from 1974 to 1979, Mr Denis Healey met the CBI and the TUC at least once a week, as well as at the monthly meeting of the National Economic Development Council.

John Banham: keeping the past at bay

Consultation disappeared with the arrival of Mrs Thatcher. Although she got on well with some individuals – Sir James Cleminson, for instance, who is now head of the British Overseas Trade Board – her dislike of anything that smelled of the corporate state left the organisation on the fringe.

Lord Young, the former Trade and Industry Secretary, also had scant respect for some of the CBI's pleadings, although he was happy for them to take on the second stage of his publicity campaign for the 1992 single European market reforms.

Mr Nigel Lawson, formerly Chancellor, had open disdain for the tripartite exercise conducted in the NEDC, and the Treasury has been less than complimentary in private about what it sees as the lack of depth in the research which the CBI uses to support its economic arguments.

The CBI might counter that if the Government had listened to its pleas for more moderate income tax cuts the economy would not be in such a mess.

Mrs Thatcher has publicly rebuked the CBI on occasions, echoing a complaint made earlier by Mr Edward Heath that when the employers' body gets what it wants from government, it is unable to deliver the goods in return. Today the criticism is directed at the organisation's failure to restrain members on pay awards.

The CBI has also failed to convince Mrs Thatcher that the UK must become a full member of the European Monetary System. It continues to push in Brussels for some form of monetary union. And it lobbies hard against the Delors plan for a social Europe.

The European dimension, in particular, demonstrates the need for somebody, somewhere, to represent British business. Most big companies, and many smaller ones, nominate the CBI to do the job, even if a little reluctantly.

The CBI's counterparts on the Continent and in Japan are less prone to the whims of politicians, and the wavering loyalties of business. They are more a part of the consultative process in governing. Most do not have individual members. Companies are represented through their trade association, which is a member of the employers' group. The distinction between their role and that of the chambers of commerce, is more clear cut. It is the arrangement which Mr Michael Heseltine admires. Could it be the framework for the next 25 years?

More oil is consumed by power stations

By Maurice Samuelson

OIL CONSUMPTION is on the increase again in UK power stations as the newly restructured electricity industry flexes its muscles against British Coal, its principal fuel supplier.

Department of Energy statistics released at the end of last week show a 71 per cent jump in oil use at power stations between December and February compared with the corresponding period a year earlier. Between December 1989 and February this year, oil burned in power stations reached the equivalent of 3.76m tonnes of coal, against 2.19m tonnes a year earlier.

Oil consumption is thought to have risen even more sharply in March and April, partly because of unseasonally cold weather and production difficulties in the coal industry.

Oil consumption was less than 10 per cent of coal consumption in those months and was insufficient to trigger a rise in oil prices. However, the trend adds to the worries of the coal industry as power companies plan switching to natural gas and imported coal.

National Power, the privatised owner of more than half the non-nuclear power stations in England and Wales, said yesterday that it was examining plans to make greater use of its 2,000MW oil-fired power station at Pembroke, one of a number of big, relatively new oil-fired power stations on the coast that have been idle since the 1970s.

If returned to full "base load" operation, Pembroke alone could displace up to 5m tonnes of coal yearly from less efficient coal-fired stations.

Mr Colin Webster, National Power's commercial director, said he was in discussions with Texaco and Gulf, the operators of two nearby refineries, about uprating cracking facilities to supply Pembroke with very heavy residual oils.

If the refineries provided this fuel, National Power would install the necessary flue gas desulphurisation (FGD) equipment to ensure that it observed environmental constraints.

FGD would also enable Pembroke to burn Orimulsion, the cheap Venezuelan fuel made from water and bitumen. It is also being considered by PowerGen, Britain's second largest generating company, to justify full-scale operation of two other oil-fired power stations.

Managers in line for 12% rise

By Michael Dixon

BRITISH managers are on schedule for a rise in total pay of 12 per cent – 14 per cent in 1990, according to the executive pay index of the Noble Lowndes group of management consultants and actuaries.

The index, which covers managers' fringe benefits, as well as salaries and other cash payments, is calculated quarterly for the Financial Times.

Noble Lowndes's survey of 3,359 executives in 263 widely differing companies shows that over the first quarter of this year the average value of executives' total rewards rose from £60,936 to £63,072, lifting the index to 103.5 points, compared with 100 when it was first instituted in January.

Since the figure is "smoothed" to allow for the bunching of annual salary awards in particular months, the group's pay consultants expect much the same rate of increase to continue throughout 1990, giving a full-year rise of 12 per cent – 14 per cent.

Further information on the survey, including the methods used to calculate the value of benefits, are available from Mr Don McClune, PO Box 144, Norfolk House, Wellesley Rd, Croydon CR9 3EB; telephone 01 686 2466, fax 01 681 1458.

PAY AND FRINGE BENEFITS OF EXECUTIVES IN BRITAIN – APRIL 1990

Rank of manager	Size of company by annual sales	Salary £	Bonuses etc. £	Company car £	Pension £	Other perks £	Total pay £	Index (1/90 = 100)
Chief executives	Up to £100m:	75,705	15,316	10,097	11,194	1,134	113,446	103.4
	£101m to £600m:	116,347	19,818	11,789	21,186	1,708	170,848	103.8
	£600m-plus:	130,424	23,400	12,275	23,783	1,918	191,800	103.6
Other directors	Up to £100m:	42,712	6,970	6,908	6,083	698	63,371	103.2
	£101m to £600m:	73,275	9,159	9,581	12,212	1,053	105,280	103.3
	£600m-plus:	84,681	11,681	9,734	13,870	1,703	121,669	104.9
Senior managers	Up to £100m:	30,125	3,776	4,991	3,776	739	43,407	103.4
	£101m to £600m:	40,435	4,643	7,229	5,760	770	58,837	103.1
	£600m-plus:	49,892	6,164	7,542	8,195	801	72,576	103.4
Middle managers	Up to £100m:	20,831	2,456	3,462	2,220	620	29,589	103.4
	£101m to £600m:	29,825	3,537	5,922	2,641	682	42,607	102.9
	£600m-plus:	32,296	3,461	6,090	3,461	830	46,138	103.2
ALL EXECUTIVES IN SURVEY:		43,520	5,046	7,316	6,118	1,072	63,072	103.5

Figures averages from sample of 3,359 managers in 263 companies. "All executives" index January 1990: 100 = £60,936.

Ministers reject suggestions on gas pricing

By David Thomas, Resources Editor

THE GOVERNMENT has rejected pleas from the Commons energy committee to review the system of gas prices for large industrial customers as well as the gas levy, by which British Gas pays the Exchequer 4p a therm for gas from older fields.

Ministers and the Office of Gas Supply (Ofgas), the industry's regulator, have rejected all the central recommendations of a 30-page report on gas price published by the committee in February.

The Government's response to the committee, which will be published in a few weeks, accepts the thrust of some of its main criticisms of the regulatory regime for large industrial gas users – in particular, the anomalies caused by the threshold of 25,000 therms a year set in the 1986 Gas Act at which businesses move into the contract gas market.

Nevertheless, the Government says that Ofgas and British Gas should try to sort out the difficulties by agreement "before there can be any question of considering amendments to the Gas Act."

Rejecting a review of the gas levy, which the select committee estimated would bring about £320m in 1991 to the Exchequer, the Government says it "has not so far seen any evidence to support the view that the levy is inhibiting the further development of these mature gas fields."

Wider environmental white paper urged

By Bridget Bloom

THE white paper on the environment must provide for far-reaching and decisive action, the Council for the Protection of Rural England has urged.

A "combination of general sentiments, exhortations and small-scale practical gestures would cause profound disillusionment," it adds.

The CPRE, one of the largest and oldest conservation bodies, calls for the white paper to bring changes in the policies of the Department of the Environment and in agriculture, transport, energy, planning and the whole economy.

"The white paper must transform the balance of policy in favour of development right across Whitehall," the CPRE says in a report submitted to the Government today as part of the public consultation process on the white paper.

Among reforms sought by the CPRE are a tougher, more stable planning system with stronger enforcement powers and reform of EC farm policy.

From White Paper to Green Future? CPRE, 25 Buckingham Palace Road, London SW1W 0PP.

Riggs AP's £4m purchase expands trade financing

By Paul Cheeseright, Property Correspondent

RIGGS AP, the London merchant bank now owned by Riggs National Bank of Washington DC, is expanding its trade finance activities through the £4m purchase of Elders Keep, the Birmingham confirming house.

Elders Keep is owned by Elders IXL, the Australian group, which is engaged in a \$A2.6bn (£1.19bn) series of asset sales both to reduce a high level of indebtedness and to restructure its business strictly around brewing.

Last week a £366m Elders deal with Grand Metropolitan to exchange pubs for breweries was referred to the Monopolies and Merger Commission.

Mr George Ziller, European regional managing director of Elders Finance, said yesterday that the sale of Elders Keep "is a further step in the reduction of our balance sheet."

Elders Keep generates about £1.5m of fees each year from confirming payments for the international goods shipment.

Trade finance is a specialist activity pursued by Riggs AP and the purchase of Elders Keep is its first corporate acquisition. The business will add about £25m to the Riggs AP balance sheet.

EUROPE

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UK NEWS

Merchant fleet decline expected to affect City

By Richard Tomkins, Transport Correspondent

FALLING recruitment in the UK merchant fleet has reached the point at which the country's shipping industry is in crisis, according to the UK Centre for Maritime Policy Studies.

The independent think tank says years of decline in shipping have left entry levels below those necessary to support a viable capability.

It says the implications extend beyond shipping itself to City activities such as insurance and shipbroking which make significant contributions to Britain's balance of payments. The warnings appear in a study carried out on UK Maritime's behalf by Professor David Moreby and Mr Peter Springett of the Department of Shipping and Transport at Polytechnic South West in Plymouth.

One of the report's main concerns is that so few people are going to sea that there are not enough to supply the demands either of the shipping industry or of related shore-based businesses which need experienced seafarers.

It says that of the total of 83,692 people involved in the UK's maritime infrastructure, 10,915 require experience at sea and 20,997 require related experience on shore.

More than 1,000 British Merchant Navy officers need to migrate from seagoing to shore to maintain present levels of expertise in the maritime infrastructure, it says. Instead, cadet entry levels since 1980 have been too low even to cover natural wastage.

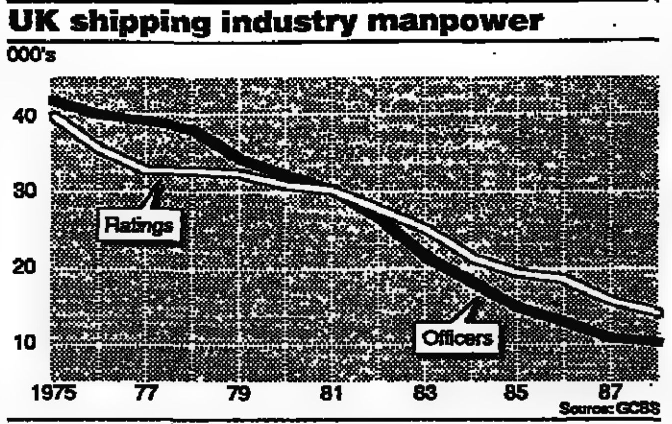
The resulting shortage of officers is likely to encourage more flagging-out of ships to other nation states, so threatening the shipping industry's £1.3bn annual contribution to Britain's balance of payments.

The report says the City would lose 16 per cent of its £852m annual maritime earnings if the current UK fleet level were halved, and 36 per cent if it were flagged out.

The report also expresses concern over defence. It says that there are insufficient seafarers to man the total UK-owned fleet. In the event of hostilities the country would therefore depend on the willingness of foreign crews to bring in supplies.

The UK Shipping Industry Critical Levels Study; UK Centre for Maritime Policy Studies; 32 St Mary Axe, London EC3A 8ET; £20.

UK shipping industry manpower



Tories edgy in region of small majorities

Ralph Atkins considers the outcome of Thursday's elections in rural West Yorkshire

THERE is a whiff of change in the air of West Yorkshire. A sourness bred by high interest rates and the community charge could give Mrs Margaret Thatcher a bloody nose on Thursday.

This is Birstall, birthplace of the chemist Joseph Priestley, which now forms part of the Leeds commuter belt. It should be natural territory for Tories. "How can somebody in a small house pay the same as a Lord of the Manor type?" asks Kim, a young mum sitting in the sun with her friend Julie. "I think I might vote Labour."

A Tory defeat would upset more than just the local constituency party. Birstall is a key ward in the Batley and Spen parliamentary constituency of Mrs Elizabeth Peacock, the Conservative MP. Her majority is just 1,362.

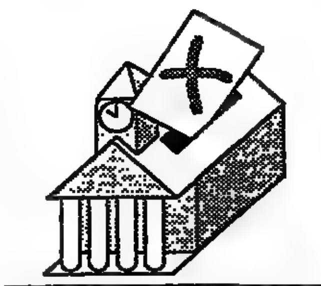
Batley and Spen is one of four constituencies in the metropolitan council of Kirklees – a 1974 amalgam of industrial Huddersfield and Dewsbury with surrounding towns and villages. All are set in beautiful Yorkshire country that attracts television cameras and tourists in ample numbers.

It is territory where the next general election will be won or lost. In Colne Valley – on the other side of Huddersfield to Batley and Spen – Mr Graham Riddick, the Conservative MP, won a majority of only 1,677 over the Liberal Democrats in a three-way contest. In Dewsbury, Labour's Mrs Ann Taylor won by only 445.

With Labour's swing nationally reaching 20 percentage points or more, the party is quietly confident of winning four or five seats in Kirklees, giving it control of the council.

Mr Glenn Morgan, secretary of Batley and Spen Labour Party, says his canvass returns have been "favourable, not to say enthusiastic." In Huddersfield and Colne Valley, "the reception on the doorstep has been so good that the canvassers have been encouraged to go out and do more and more," says Mr Barry France, the party's local organiser.

That Kirklees is so marginal and its electoral make-up so complex is a product of its diverse composition. Shoe-box, working-class council flats mix with grand country houses; low-rated Victorian terraces stand alongside the plush homes of sharp-suited businessmen.



LOCAL ELECTIONS

All eyes on the elections: Ann Taylor (right), Graham Riddick (below) and Elizabeth Peacock

Picturesque Holmfirth, the most famous town in Kirklees, is sent up wildly in the BBC's Last of the Summer Wine as the home of wrinkled, stockinged Nora Battys and scruffy old men. But the image of defensive and conservative (with a small "c") communities is not without foundation.

Kirklees' history and wealth derives from wool and textiles. Local legend says that at its peak, it had more Rolls-Royces per head than any other region of the old British Empire. The mills were controlled by families, rather than industrial conglomerates. Together with a vibrant Protestant work ethic this made for small-scale self-sufficiency, not municipal Socialism or free market entrepreneurship. Symbolically, the Kirklees and Wakefield Chamber of Commerce, with 300 staff, is among the top 50 local employers.

The region is strong in its support of traditional Liberalism – Colne Valley returned a Liberal MP for more than 20 years until 1987.

In the 1980s Kirklees was in the slow stream of Thatcherism. Industry has recovered from the years of deep recession in the past decade but only slowly.

On the council, Labour is the largest party, with 36 seats. It has cultivated a moderate image, but depends on the casting vote of the mayor when the Conservatives, on 19, and the Liberal Democrats, with 17, unite in opposition.

Each council ward is fighting a different campaign. In middle-class Cleckheaton, with its 1890 town-hall of Victorian grandiloquence, Labour is on the defensive. But in nearby Heckmondwike it hopes to snatch a place from the Conservatives.

The Liberal Democrats have their sights on Conservative-held Lindley where last year Labour won a by-election. Greens are targetting the Labour-held Paddock ward on the edge of Huddersfield.

What has combined all the threads in this election is the community charge. Mr John Harman, Labour leader on the Council, dubs it simply: "The Poll Tax Election." If his party wins Birstall; "it would signify a complete rejection of the poll tax by the ordinary electorate."

Labour's ascendancy has hit morale in the other camps, but not fatally. The Liberal Democrats hope to be the second largest party on the council after Thursday. Their advantage is a long tradition of community politics which mirrors the natural isolationism of valley villages.

Mrs Ivy Pearson, Colne Valley chairman, blames "all this Alliance business" for losing the party the Colne Valley parliamentary seat in 1987. The merger with the SDP caused resentment and led to weak national campaigns, she says.

Among Conservatives, there is recognition that this is not going to be a good election. Disquiet about poll tax is not far from the surface. Mrs Peacock says she has "never supported it in Parliament" and is lobbying for concessions.

The campaign theme – that a Conservative council costs less – is a convenient way of distracting attention from more fundamental objections. "What really angers us is that we could have reduced Kirklees's community charge by £48," says Mrs Margaret Bates, a councillor.

Party members complain of Kirklees employing a court jester on £160 a week (the council says she was a street entertainer employed on a 13-week contract last summer). They say the council spends £70,000 on "peace committees."

The air of resignation is not quite one of desperation. Members look to economic regeneration and lower interest rates reviving the party's fortunes. Mrs Pat Craven, Conservative agent in Colne Valley, compares Tory fortunes with the dark days of the early 1970s before Mrs Thatcher won the leadership. "They are all blips when you look back: some of them seem endless."

Comet link with Dixons is opposed

By Maggie Urry

A MERGER of Comet, the electrical retail chain owned by Kingfisher, and Dixons, which owns the Currys chain, would be against the public interest, says a report from Verdict Research, the retail consultancy group.

The Monopolies and Mergers Commission report on the Kingfisher bid for Dixons is in the hands of Mr Nicholas Ridley, the Trade and Industry secretary.

Verdict says that if the two groups merged they would have 22 per cent of the electrical market, which was worth £8bn last year.

The combined group would have 35 per cent of the important television and video subsector of the market and nearly 80 per cent of sales of electrical goods through out-of-town stores, Verdict estimates. The group's market share would be five times that of its nearest rival.

The report argues that both Dixons and Comet have made strategic mistakes by competing intensely on price and have suffered a margin squeeze as a result.

"The combination of Comet and Dixons would lead to higher prices, either directly or via the removal of interest-free credit. In other words the public would have to pay for the strategic errors made by Britain's electrical retailers in the 1980s," it says.

Dixons has a market share of 14.4 per cent, one percentage point lower than a year ago, the report estimates. Comet has 7.4 per cent of the market, Verdict says, although this has largely been achieved through acquisition. Verdict reports disappointments in sales at core stores.

BSB launches with a Wimbledon coup

By Raymond Snoddy

BRITISH Satellite Broadcasting said yesterday that it had signed an agreement with the All England Tennis Club to show coverage of this year's Wimbledon tennis tournament during prime evening viewing.

The agreement, a further example of collaboration between BSB and the BBC, came as the five-channel satellite venture celebrated its formal national launch yesterday.

BSB will show two hours a day of the main matches when the BBC has ended its live coverage and returned to general programmes.

Mr Anthony Simonds-Gooding, the BSB chief executive, said it was an example of how BSB could add something to television schedules by making tennis available to viewers not at home during the live coverage.

"It is indicative of things to come and the feeling that we will be a complementary broadcaster, a British broadcaster with a British editorial eye adding to and not taking away from what the British viewer already gets," Mr Simonds-Gooding said.

BSB, whose chief shareholders include Granada, Pearson, the publisher of the Financial Times, Reed International, Chargeurs and – for the time being – the Bond Corporation, will use BBC pictures enhanced by further coverage from its independently-run sports company, TWI.

Although the present agreement covers only this year's Wimbledon, it suggests that the BBC and BSB could in future share the cost of acquiring rights to top sporting events, such as Wimbledon. That will become increasingly important as the Broadcasting Bill, which is now before Parliament, removes protection of listed national sporting events and leaves acquisition of broadcasting rights to the market.

BSB has already collaborated with the BBC in acquiring the rights to show FA Cup games and some Hollywood films held by the BBC.

The party to launch BSB, held in its Battersea, London, headquarters, was a rather restrained affair, largely because BSB's five channels have been available on cable networks since last month, and because receiving equipment for the direct-to-home satellite service is in very short supply.

Instead of a planned 35,000 receivers in the shops by the weekend there were an estimated 1,000 to 2,000 for private individuals, many of them specially targeted opinion formers and a further 3,000 to 4,000 in retail shops for demonstration purposes. Between 200,000 and 250,000 are expected to be available by the end of July.

By last night, the potential size of the BSB audience was about 250,000 homes, most of it through cable television networks.

When Mr Rupert Murdoch, chairman of Sky Television, launched his four channels 14 months ago, there was a grand dinner in Syon House complete with a string quartet. BSB merely used the music from The Power Station, its pop channel, to accompany a buffet lunch in the three-storey-high atrium of Marco Polo House. There was, however, an enormous cake for BSB broadcasters, such as Sir Robin Day and Selina Scott, to cut.

IRA bomb explodes at customs post near Newry

AN IRA bomb exploded at a customs post at the border between Northern Ireland and the Republic yesterday as security forces in Northern Ireland stayed on the alert for an intensified terror campaign.

The Royal Ulster Constabulary said a device caused minor damage to a site hut in the customs complex near Newry, Co Down. The IRA claimed that two unexploded devices remained at the post.

Two drivers narrowly escaped death or serious injury when they drove over two bombs left in the road at Castlewellan, Co Down.

An Army bomb disposal officer who defused the devices said it was "a miracle" that the bombs had not been detonated.

The RUC attacked the IRA for leaving an unstable 900lb bomb in the heart of a housing estate in Dungannon, Co Tyrone.

Residents were evacuated as the bomb was defused.

● A woman was still being questioned by detectives after police foiled an attempt to smuggle a bomb into Belfast International Airport.

The woman, who police at first thought was pregnant, was found to have a bomb strapped to her stomach when she was taken off a bus travelling between the city and the airport.

UK NEWS

Tories face further blow to morale

By Michael Cassell, *Political Correspondent*

MINISTERS are this week bracing themselves for another serious blow to Conservative party morale, with the unpopularity of the poll tax and confusion surrounding plans for its reform likely to culminate in heavy losses at Thursday's local elections.

Opinion polls suggested that the Conservatives could lose as many as 400 council seats, possibly losing control of several authorities. The poll tax, a new tax levied by councils to pay for local services and amenities, is expected to dominate the political agenda in the final three days before the ballot.

Bad results for the Government would rekindle speculation at Westminster about the Tories's chances of re-election under the Prime Minister, Mrs Thatcher. With further bad news ahead on the economy, the view that the government faces its most critical period in the next few months is widely accepted by Tory MPs.

Last night Mr Kenneth Baker, the Conservative Party chairman, issued a rallying cry to Tory councillors. He said the opinion polls would be proved wrong and people would vote for the party offering the best local services at the lowest price. With other ministers, Mr Baker accused Labour of going into an election campaign without an alternative plan for raising local government finance.

A weekend demand by Mr Neil Kinnock, the Labour leader, for a Commons statement today on the current ministerial review of the tax was turned down by Mrs Thatcher. Labour will, nevertheless, renew its attempts at Westminster to heighten the Government's difficulties over the issue. This morning, Mr Kinnock will step up his party's offensive by claiming that the poll tax is hurting not only households but small businesses, the labour market and the housebuilding industry.

Last night, Mr Jack Cunningham, the Labour Party's campaigns co-ordinator, said the local election results could help kill off the poll tax by forcing the Prime Minister into "a massive and humiliating U-turn."

Labour remains anxious not to exaggerate the extent of its likely victory on Thursday, but the party could win up to 600 seats more than it did in 1986, when it did well in the equivalent elections.

Whitehall officials yesterday continued to emphasise that no decisions about possible alterations to the poll tax had been taken, despite the wave of speculation surrounding possible changes.

Remarks by Mr Nicholas Ridley, Trade and Industry Secretary, who appeared to oppose the idea of wider charge-capping measures, were seized upon by the Government's opponents as evidence of further disarray over the issue in the Cabinet.

Improved benefit arrangements and higher central government grants to local authorities are among likely options for the second year of the poll tax. But Mr Christopher Patten, Environment Secretary, and Mrs Thatcher are determined to ensure that improved levels of government grant are reflected in lower household bills, implying a more extensive charge-capping exercise than this year, when 21 councils were capped.

Support group for managers

By Fiona Thompson

CHEMICAL engineers and research scientists in four countries have signed an "agreement of mutual assistance" aimed at encouraging the mobility of managers within the European market.

The agreement is to be announced at a conference in London tomorrow. The organisers expect associations in Belgium, Holland, Denmark and Spain to join within the next six months, bringing membership to 400,000.

The UK member-group, Amps, has signed the agreement as part of Ficcia, the European federation of management and professional personnel employed in the chemical and pharmaceutical manufacturing and research industry.

The aim is to help managers working abroad with any difficulties that may arise over their contracts of employment.

Auditing rules to be changed

By David Waller

AUDITORS will be required to give a full account of each audit and identify any problems they have encountered in a company's accounts under proposals from the Auditing Practices Committee.

Under the present system, auditors normally state only that in their opinion accounts are "true and fair" and comply with company law. Qualifications – statements expressing doubts about the accounts – are rare.

The proposals from the committee, which sets auditing rules in the UK, come in the wake of several legal battles between companies and accountancy firms over duty and responsibility in the auditing of accounts.

A five-year battle between Touche Ross, the accountancy firm, and Caparo Industries ended earlier this year with a Law Lords decision sharply limiting auditors' responsibilities.

Ferranti International has filed a lawsuit against KPMG Peat Marwick McLintock alleging that the firm had been negligent in its auditing of International Signal & Control which Ferranti bought in 1987.

Mr David Tweedie, the APC chairman, said it planned to issue a complete auditing standard during the summer.

Over the next two months, the APC will debate the details of a scheme which the accountancy profession is certain to regard as controversial.

Under the new rules, auditors will spell out that the ultimate responsibility for the accounts rests with the company's directors, and explain what exactly an audit is.

They will state, in layman's language, that auditors conduct tests on accounts rather than check every transaction, and will ignore errors which are not deemed to be material.

Mr Tweedie said he hoped that the proposals would go further than rules which introduced these "long-form" audit opinions for US companies in 1988. He said problems discovered in the accounts would have to be signalled.

Quite how this will be achieved remains to be seen. Frequently auditors do not qualify accounts because they maintain that a qualification could damage confidence in the company. Furthermore, despite the Caparo case, accountants are bound to be worried about any move which increases their obligations.

The move will be seen as the accountancy profession's response to the widening "expectation gap" between public perceptions of auditors' responsibilities and their obligations as defined by company law.

It will probably be denounced by both auditors and industrialists.

Auditors will be worried that a more explicit account of their responsibilities will make them vulnerable to litigation.

Businesses, which have to rely on published accounts when acquiring listed companies, will probably claim that the proposals do not go far enough.

UK NEWS

US curb brings new screening units to Gatwick

By Paul Betts, Aerospace Correspondent

GATWICK Airport is this summer introducing a screening system to detect plastic and other explosives in luggage, using thermal neutron activation technology. The move is part of a worldwide initiative by the US Federal *Aviation Administration (FAA)* to tighten airline security.

The FAA has required that 40 high-risk international airports be equipped with new explosive detection systems to counter terrorist threats. The rule, due to come into force in the next few weeks, applies to US carriers and is part of the tighter US airline security steps introduced after a bomb exploded in December 1988 over Lockerbie, Scotland, aboard Pan Am Flight 103.

The FAA wants to install new thermal neutron activation screening devices at 15 airports in the US and 25 international airports in other countries, using low-energy neutrons to detect explosives.

Two machines, similar to the x-ray screening equipment commonly used at airports, have already been installed at TWA's terminal at Kennedy Airport, New York, and at Pan Am's terminal at Miami.

The machine at Gatwick is expected to become operational this summer.

The Californian-based Science Applications International *Corporation (SAIC)*, which manufactures the equipment, said it was now delivering it to the UK. The FAA is negotiating with the West German authorities to install a machine at Frankfurt and plans to introduce it soon at Dulles Airport, Washington.

The FAA has funded research in *explosive detection* systems since the early 1980s, but has accelerated the programme in the last few years. At present, only the SAIC system meets the FAA specifications for bomb detection, though other US and European groups are working on competing devices.

Dr Hadi Bozorgmanesh, SAIC's *corporate* vice-president, claims that conventional x-ray equipment has a 2 per cent – 10 per cent hope of detecting bombs in luggage. Thermal neutron activation, however, *has since last* September demonstrated a 93 per cent success rate in detection, he claims.

The new devices cost about $1m (£611,000) a piece, representing an extra $1 a bag on each ticket, Mr Bozorgmanesh says.

However, US airlines have complained that the new security requirement could put them at a competitive disadvantage with European and other international carriers not yet obliged by their aviation authorities to be equipped with *the new baggage detection system.*

Air travellers 'prefer good timing to in-flight frills'

By David Churchill, Leisure Industries Correspondent

FREQUENT *business* travellers are more interested in the timing of aircraft departure and arrival times than any of the in-flight frills.

So says a survey into the flight preferences of British business travellers.

Mr Jeremy Griffiths, director of ABC World Airways Guide, producer of the survey, says: "*Airlines spend millions of* pounds each year extolling the virtues of wider seats, non-stop capabilities, better food and so on, when what matters most to the business traveller are the departure and arrival times."

Some 95 per cent of the 2,000 executives questioned cited departure times as the main factor when choosing airline.

About three out of four of the executives regularly travelled business class although a third said they also sometimes flew economy. Only 6 per cent regularly flew first class.

ICI assesses how much it pollutes sea and rivers

By Peter Marsh

IMPERIAL Chemical Industries has launched its first investigation into the volume of polluting chemicals discharged into rivers and the sea by its 30 or so main production sites.

The work, which is expected to last three years, is part of a *programme to improve the* **environmental controls exercised by ICI, which is the UK's largest manufacturing company.**

The work is the company's response to charges by environmental groups that it lacks detailed knowledge of the extent to which its plants release dangerous pollutants.

In the past, ICI has kept few comprehensive figures on the individual polluting chemicals it produces. The company has concentrated instead on assessing the overall effects of *those chemicals on the* **environment.**

Groups such as Greenpeace have described that approach as complacent.

The ICI programme is coordinated by the company's environmental laboratory at Brixham, Devon. With a staff of 82 and an annual budget of £4m the laboratory is considered by ICI to be the core of its effort to improve its image in environmental affairs.

● Plans to give the public the right to prosecute industrial polluters will be debated in the Commons today under the Environmental Protection Bill.

Mrs Ann Taylor, the shadow Environment Minister, who has tabled amendments to the *bill* **to give these rights, said: "It is important to establish general environmental rights for members of the public.**

"We want to give ordinary people the power to find out exactly what is going into their environment, to bring prosecutions against polluters and to be sure that the appeals procedure against pollution *licences is conducted in an* **open and impartial way."**

Mrs Taylor added that she believed the Government had already responded to Labour pressure to improve public access to information under the bill.

The day Teesside's ugly plume vanished

Peter Marsh assesses ICI's efforts to come clean in Cleveland and around the world

VISITORS to Britain's biggest chemicals site on the River Tees estuary in north-east England now look in vain for a once distinctive feature on the horizon.

The familiar but nasty-looking brown plume of gas that used to stream 24 hours a day is no longer there. Imperial Chemical Industries, the site's operator, removed it at Christmas. Few regret its absence.

"People used to come to Teesside and say 'What the hell is that?'" *says Dr Roger* Bibby, a development manager at ICI.

"It was a symbol of the old chemicals industry."

The removal of the gas stream, comprising nitrogen oxides (Nox), which contribute to smog and can cause various health problems, is a sign of efforts by ICI and the chemicals industry generally to present a better face on environmental issues.

ICI is Britain's biggest manufacturing group and had sales last year of £13bn. It knows it *needs to do more to reduce pol*lution to meet rising public expectations. As the world's fourth biggest company in chemicals, ICI is under special pressure to clean up its act.

Waiting to be developed: the ICI site for the proposed power plant for the Wilton works on Teesside

Sir Denys Henderson, ICI's chairman, says the company "always behaves responsibly" on environmental issues, although ICI admits it may have fallen behind some of its overseas competitors, especially in West Germany, in some areas of anti-pollution activity.

ICI is establishing a system for monitoring environmental matters at its 300 or so plants around the world as well as at Teesside – the company's biggest manufacturing unit employing 12,500 people.

The complex, which ICI has built up since the 1920s, includes three separate manufacturing units, at Wilton, Billingham and North Tees.

Mr Chris Hampson, ICI's director in charge of environmental policy, says the monitoring system should pinpoint plants where problems exist and enable group-wide "environmental audits."

Over the next few years ICI will probably increase by half the £100m a year it spends on investments related to pollution abatement, Mr Hampson says.

The company faces three main issues: technology, cost, and public perceptions.

Dr Bibby admits the Teesside Nox stream project was driven as much by a need to give a visible signal of ICI's commitment to environmental matters as by practical measures. The scheme removed less than 10 per cent of the Nox emissions from ICI's Teesside operations.

It hardly changed the total output of the gases which are emitted from car exhausts and power stations from the Teesside region as a whole.

ICI plans to spend about £80m at Teesside by 1995 on anti-pollution projects. The schemes include a £30m facility to recycle from a plastics plant waste sulphuric acid that is now dumped into the North Sea.

Other programmes involve changing the operations of individual plants – which make a variety of chemicals, including fertilisers, aromatic products based on benzene, and ethylene-derived substances such as plastics – to reduce the amount of waste materials.

Discharge of waste into the River Tees is the biggest environmental problem. Today the company is the biggest source of pollution related to the Tees, though effluent comes from other factories and sewage works.

ICI chose Teesside earlier this century partly because it would be easy to dump waste into the river and estuary. For much of the past 50 years the Tees has been one of Britain's dirtiest rivers.

Even today there is no large water clean-up plant at ICI's Teesside works as there are at companies such as DSM of the Netherlands and Bayer and BASF of West Germany. Those have installed clean-up plants costing tens of millions of pounds next to their large chemicals factories in continental Europe.

In the past decade, ICI, along with other industrial groups in Cleveland, has reduced pollution in the Tees. The river is no longer toxic to fish and seldom produces complaints about smells.

Mr Geoff Essery, safety and environment manager for ICI's Teesside operations, says the company has made substantial progress in removing from effluent specific pollutants such as heavy metals, cyanides and ammonia.

Organic pollution can be measured by the amount of oxygen depletion in rivers expressed as biological oxygen demand.

ICI's Teesside plants are responsible for BOD levels of about 120 tonnes a day, compared to roughly 400 tonnes a day in 1970. ICI plans to reduce the figure to about 60 tonnes a day by 1995. ICI's action so far has, though, failed to satisfy its critics.

Mr Tim Birch, water-pollution campaigner at the London office of Greenpeace, the environmental group, says that while ICI has reduced BOD levels and specific highly toxic chemicals such as cyanides it has paid less attention to other pollutants, including benzene, phenol and halogenated hydrocarbons.

Councillor Barry Woodhouse, chairman of the environment committee of Stockton-on-Tees Borough Council, describes the Tees pollution as "quite horrific." He believes ICI should do more.

Mr John Mann, chief public health officer at Middlesbrough Borough Council in Cleveland, says he is impressed by ICI's willingness to discuss pollution with local people. "But often there is gap between public perception of a problem and a scientific assessment of how much hazard it represents," he says. Mr Mann is chairman of a county-wide committee set up by Cleveland's four district authorities to monitor pollution.

Mr Mike Flux, ICI's environmental adviser, says that ICI does not insist on rigorous group-wide environmental standards to ensure that all comparable plants have the same performance. That means, in effect, that UK plants can operate at a lower level of environmental performance than an equivalent unit in, for example, West Germany where laws are tougher.

Mr Flux sums up: "Up to 1970 UK practice on (chemicals) pollution control led the world. But since then priorities have been different. There has been less concern (about pollution) and more on getting the economy right. Now there is a climate of change in Britain and as a result a lot of our thinking within ICI is adapting very rapidly."

APPOINTMENTS

Barclays registration service director

■ Mr David Welsh *(above)* has been appointed registration services director of BARCLAYS global securities services, and *managing* director of Barclays Registrars. He succeeds Mr David Harries who has retired.

The bank has promoted Mr Brian Stevenson from assistant director to corporate finance director of its manufacturing team.

■ Following the sale by British & Commonwealth Holdings of GARTMORE INVESTMENT MANAGEMENT to Banque Indosuez, Mr Jean-Francois Lepetit, Mr Bernard Simon-Barboux, Mr Pierre Daviron and Mr Jean-Marie Soubrier have been appointed to the Gartmore board. Mr Campbell Allan, Mr Jon Fossel and Mr Don Spiro, B&C's nominees, have resigned from Gartmore's board.

■ Dr William L. Wilkinson has joined the board of ALLIED COLLOIDS as a non-executive director. He is deputy chief executive of British Nuclear Fuels.

■ Mr Bernard A. Roth has been appointed chairman and managing director of GREYHOUND BANK, London, and Mr John W. Godfrey and Mr Bernard A. Barwick join the board. Ultimate holding company is Greyhound Dial Corp, US.

■ Mr Bill Withycombe, formerly managing director of ASSOCIATED HEAT SERVICES, has been appointed chief executive of Associated Electricity Supplies, an AHS company engaged with Electricité de France in the distribution of electricity. Mr Ralph Cohen becomes managing director of AHS.

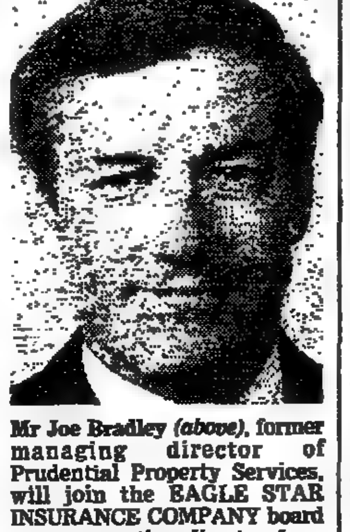
■ Mr Eric Gay has been appointed sales director of WALSALL LITHOGRAPHIC.

■ Ms Pauline Mallinson has joined BIS APPLIED SYSTEMS as director of its systems solutions division.

■ Mr Leslie Priestly, formerly chief executive of TSB England and Wales, has been appointed a part-time member of the board of the BRITISH AVIATION AUTHORITY with responsibility for airline and air travel organisers' finances. He is a director of London Electricity, and other companies.

■ MICROGNOSIS INTERNATIONAL has appointed Mr Chris Manderson as general manager for the UK. He was vice president sales, North America.

■ HEADLAM GROUP has appointed Mr Colin Wyman to the board. He will assume the role of chief executive from Mr John Chaplin, who will continue as chairman. Mr Wyman was business development director of Evode Group.



Mr Joe Bradley *(above)*, former managing director of Prudential Property Services, will join the EAGLE STAR INSURANCE COMPANY board as an executive director from May 1. His primary role will be to take the lead in implementing and maintaining information technology strategy, says the company. He will be responsible for computer operations and technical services, Cheltenham. Mr Ian Dunbar, an executive director, will relinquish IT responsibility, and take over overall development of human resources, including corporate personnel and administration services.

LEGAL COLUMN

Unions' fears prolong drafting of privatisation rules in Poland

By Robert Rice, Legal Correspondent

FOR the first-time visitor to Warsaw it comes as a bit of a shock – not the large number of spanking new Mercedes cars (although it takes a little while to adjust to that), not Stalin's Palace of Culture which rises above the city's commercial centre like an overblown wedding cake, but the shops. They are full of goods.

What has happened to the long queues and empty shelves about which we have read so much? They have gone, it seems – the inevitable consequence of the Polish Government's determined drive towards a free-market economy.

The lifting of price controls and cuts in state subsidies to industry have cut the purchasing power of Polish wages by a third since January.

Prices have risen so fast that the average Pole can no longer afford to buy.

Industrial sales have fallen by about 30 per cent, and sales of food and textiles by more *than 40 per cent.* Unemployment has risen above 250,000. Inflation is coming under control, but at what cost?

Small wonder that the Government finds itself increasingly at odds with the country's trade unionists.

The next stage of its economic reforms, an ambitious plan to privatise 7,000 state enterprises, has already run into trouble in the Polish Parliament.

The Government, which sees privatisation as the key factor in restoring levels of produc*tion, establishing new units of* production and transforming the economy, finds itself at loggerheads with trade unionist MPs over both the draft law to establish a privatisation agency and the law setting out the framework within which privatisation will be carried out.

According to Dr Andrzej Budzinski, *director of* economic policy at the Ministry of Foreign Trade, the trade unionist MPs supported by some scientist MPs say the draft law gives too much power to the proposed privatisation agency, and particularly its head, to do what it wants with state property.

Dr Budzinski spoke to some of the delegates to the International Bar Association's regional conference on eastern bloc joint ventures in Warsaw last week. The doubting MPs want the draft laws amended to provide for greater worker participation in the ownership and management of state enterprise after privatisation.

Lawyers under Mr Jacek Bukowski, head of the Office of Government Plenipotentiary for Ownership Changes, which is in the Ministry of Finance, began working on the draft laws last October. At least 10 or 12 drafts were prepared before one acceptable to the Government was produced.

The Government is understandably anxious to get privatisation right from the start. Dr Budzinski said there would be no room for experimenting. One problem is that there are no precedents in the west for privatisation on such a scale. Those formulating the law consulted widely in the UK and France and gleaned what they could from World Bank delegations.

A bill was produced in January and had its first reading in Parliament in March. Until now most of the economic reform measures – changes to foreign investment laws, for example – have cleared Parliament within one or two months. The privatisation laws, however, are already running well behind schedule.

Officially Mr Bukowski's office says it expects the bills to clear Parliament within six weeks. Dr Budzinski believes that is very optimistic. He says the dispute could drag on for months because neither side seems prepared to give ground.

As drafted, the laws provide the methods of privatisation: selling of shares in state enterprises by public offering; liquidation of state enterprises and sale of their assets on the open market; leasing the assets from the state.

The law says that up to 10 per cent of the shares in a privatised enterprise may be purchased by foreign investors without obtaining permission from the privatisation agency. Any purchase of more than 10 per cent will require prior authorisation.

That is the sticking point. Trade unionists argue that such permission will be given all too easily especially as the appointment of the head of the privatisation agency will be in the gift of the Prime Minister. They fear, not unnaturally, that without any established methods for valuing state assets they will be sold below value to foreign investors, giving them windfall profits.

The draft law gives the "self-control groups," or worker councils, the right to take an interest of up to 20 per cent in privatised state enterprises on a preferential basis. But trade unionists say that is not enough.

In many instances they want the right to buy 100 per cent of privatised enterprises on preferential terms. Such is their mood of disenchantment with the present economic climate that many are now saying the privatisation programme is not necessary to transform the economy – all that is required is more efficient management.

That presents the Government with an almost intractable difficulty. It is relying on the privatisation programme to attract foreign investment on a much larger scale than it has so far succeeded in doing through its joint venture law. Without a greater volume of foreign investment it believes its attempts to transform the economy will fail.

It is pinning much – some might say everything – on passing the privatisation laws in their present form. It knows that if it yields to trade unionists' demands and allows them a much greater share of the privatised enterprises it will not attract the levels of foreign investment it needs. Few if any western companies, it feels, will want to invest in Polish companies which are 51 per cent or more controlled by the workforce.

If some form of compromise can be achieved and the privatisation bills can become law by the summer, the Government's intention is to privatise 100 state enterprises in all sectors of industry by the end of 1990.

That was always a highly ambitious plan and few connected with the privatisation programme believe it can now be achieved.

Mr Bukowski believes that even if the law is passed by the summer the number of enterprises privatised by the end of the year is more likely to be about 14, all of them on a small scale and nearly all of them in the retail sector.

Poles are thought to have billions of zlotys stuffed in mattresses, most of them already reserved for the privatised retail sector.

Why is so much riding on the privatisation programme and why have the present joint venture laws failed to attract higher levels of foreign investment? There are some larger joint ventures in the pipeline. Philips is believed to be close to agreement on a joint venture with Polorlamp and Unilever is involved in detailed negotiations over a sizeable joint venture.

But in general investment has been small and mostly in the agricultural and light industry sectors, attracted, it seems, largely by the preferential tax treatment offered to foreign investors.

The answer may lie partly in the cautious attitude adopted by western companies to the risk of investing in the eastern bloc.

Western enthusiasm for investment in Poland does not yet match Polish aspirations. In time it may, but for most western companies the incentive of a three-year tax holiday is not enough to justify investment on a wider scale.

Before that can be achieved the issue of transfer of profits will have to be addressed. The Poles know that. Dr Andrzej Burzynski of the Polish Chamber of Foreign Trade told the conference the joint venture laws were designed only to make foreign investment possible and to encourage it.

He said the laws would change if the privatisation programme succeeded in attracting higher levels of foreign investment.

It is clear that as foreign investment rises the Poles will take steps to level the playing field between domestic and foreign investors by abolishing tax holidays in return for full convertibility of the zloty within five years and 100 per cent transfer of profits by January 1996.

If the free market economy that Poland is seeking so desperately has not yet materialised IBA delegates can have been left in no doubt that it is only a matter of time before it does.

Certainly those who haggled with taxi drivers or observed the *oldest* profession in the world at work in the hotel bars will vouch for the fact that the free market spirit is alive and well in Warsaw.

ARCHITECTURE

Little house of horrors

On Wednesday one of the most important pioneering classical buildings in Britain will open its doors to the public after a closure of some five years. The Queen's House at Greenwich was added to the old Tudor palace of Greenwich as a royal villa to designs by Inigo Jones from 1616. It has a complex architectural history and has always remained something of an historical and architectural enigma.

The Thames during the Tudor and Stuart periods was the main ceremonial approach to London. Several royal palaces were built on its banks and King James I gave one of them, Greenwich, to his Queen, Anne of Denmark. The gift was made just after the appointment of Inigo Jones as Surveyor of the Royal Works and he was naturally asked to design a villa in the latest Italian taste – a simple two storey house in two parallel blocks linked by a bridge that crossed the Woolwich-London road.

Queen Anne never saw her revolutionary Palladian villa completed and the house remained unfinished after her death in 1619 until King Charles I decided, in 1629, to complete it for his French Queen, Henrietta Maria. Although the house was ready for occupation in 1637 its history was interrupted by the Civil War. The Commonwealth inventories show that the house was stripped of its furnishings and not refurbished until the restoration of the monarchy.

Inigo Jones's son-in-law, the architect John Webb, added substantially to the house at this time, making it the perfect square that we see today, with the parallel suites of rooms for the King and the Queen on the first floor. It appears that the house was never used as a state residence until 1662, when Henrietta Maria returned to England as Queen Mother and lived at Greenwich while her rooms and chapel at Somerset House were being prepared for her London occupation.

What you see today, as you stand with your back to the rising horrors of Canary Wharf that are already visibly damaging the Thames views, is a restrained classical house of the 1630s. Inside The Queen's House what you are going to see is an attempt at a reconstruction of the interiors as they were when Queen Henrietta Maria returned from exile in 1662.

Historical reconstructions are always controversial, particularly when almost everything associated with a house has vanished. The brave decision of the National Maritime Museum to refurbish the house and encourage an historical appreciation of its role is one that should be commended. After all, a contemporary observer said of the house at the time that the Queen "hath so finished and furnished the house that it far surpasseth all other of that kind in England." It was always known as Henrietta Maria's "little house of delights." After five years and the expenditure of £5m we are told that The Queen's House "will once more be seen as it was in her day." If only that was true.

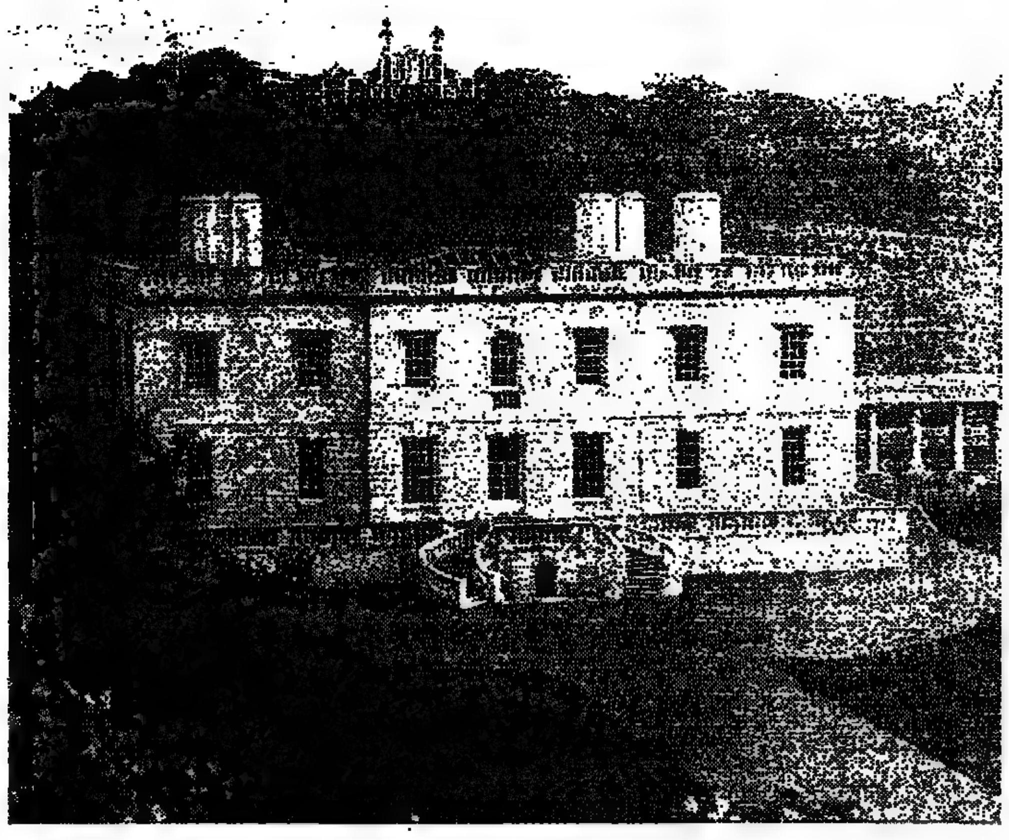
Accurate reconstruction depends for its success on one thing only – the quality of its execution. We can see in Polish palaces, at Versailles in France, at Het Loo in Holland, at the Charlottenburg in Berlin, that it is possible to achieve remarkable standards both of accuracy and aesthetic sensitivity. This is sadly not the case in the major public historic monuments in this country. I cannot understand how the travesty of The Queen's House has been allowed to happen.

Visitors will begin their tour in the central cubic hall by Inigo Jones. Think of the Double Cube at Wilton, think of the Banqueting House in Whitehall and then glance up at the ceiling of Greenwich. You will see a gleaming photomural copy of the original paintings. This is a terrible error of taste.

The originals by Artemisia Gentileschi are now at Marlborough House. The Maritime Museum authorities negotiated unsuccessfully with the Lord Chamberlain's Office and the Royal Collection for the reinstatement of the originals. This is a huge disappointment and a short sighted refusal to move the originals to where they belong by a bureaucracy. Perhaps the visual insensitivity of the photographs and their shiny inappropriateness will convince the myopic officials of their folly. How appalling that it should be necessary to fight for such an obvious re-arrangement.

Also in the great cubic hall will be an arrangement of plaster casts of some of the sculptures that were known to have been in the Royal collection at that time. Casts are acceptable providing that they are treated so that they look old; at the moment they are gleamingly new.

Climb the famous tulip staircase – now with an "accurate" blue painted balustrade but no gilding – and you are on the King's side of the house. This side has not been fully refurbished – money and energy have been saved for Queen Henrietta Maria's side. The King's Presence Chamber has been "accurately" restored in blue and gold. But, by God, it has been done on the cheap. We know that the blue hangings would have been made of smalt (deep blue glass oxidised by cobalt and pulverised); the new hangings are dim, and there is virtually no proper gilding. Candle stands have been copied from contemporary models and are either gold or silver. The candles have electric flames. I do not know who made them but they have so little quality that they could have been bought in the Edgware Road.



The Queen's House, Greenwich: open again to controversy after a £5m face lift

The poor quality of all the reproduction furniture is puzzling. Any antique dealer can arrange for copies to be made today that are indistinguishable from the originals. Reproduction silver sconces that were never there light the staircase and some of the rooms. Chimney pieces have been copied from some Inigo Jones drawings, but again their quality and finish is poor. I am sure that there would not have been a stone fireplace on the main floor of state rooms.

On the Queen's side more rooms are "accurately" refurbished with the same lack of real quality and finish. The Queen's bedroom should be compared with the restored King's bedroom at Versailles. After all, Queen Henrietta Maria was the daughter of the King of France: she must be shuddering that anyone would think she could sleep in what is claimed to be her bed. It is clear at so many levels that a project as artistically important as The Queen's House should be funded as a major national initiative. Of the £5m squeezed from sponsors and the museum's budget only £700,000 was available for the complete refurbishing of a 17th century palace. No one knows how much has been spent at Versailles, but Het Loo in Holland cost some £18m.

Rather than go on and on about the poverty of taste and lack of quality in this restoration, perhaps I may suggest that this should only be seen as a beginning. Benefactors should be lined up to find and buy original furniture, china, candlesticks, tapestries or arrange for the highest quality of reproduction. The Queen's House refurbishment is scarcely started; its continuation desperately needs more funds and more aesthetic advice. Time, money and imagination are needed in large doses to recreate the glories of the Restoration Court at Greenwich. but so is that indefinable thing, taste, which is so far entirely missing.

Colin Amery

SPONSORSHIP

Management skills rather than money

It would be naive to think that arts sponsorship could escape from the belt tightening currently affecting British business. Although under pressure, British & Commonwealth, for example, will maintain its commitments to South Bank music but is hardly in a position to increase its largesse. Fortunately there are still enough new sponsors to maintain growth, albeit at a slower rate.

But one area in which business can help the arts perhaps even more during a mini-recession is with its expertise. Business in the Arts, set up by the Association for Business Sponsorship of the Arts last year to provide arts companies with management skills rather than money, has made an unpretentious but solid start.

Now this approach will receive a boost today through the announcement of an imaginative sponsorship designed to improve management skills in the arts. English Estates is putting up £25,000 to help finance 20 bursaries at leading business schools for arts managers. Cranfield, Henley, the London Business School and Sundridge Park are opening their doors for the short courses which will be half financed by English Estates, with the Arts Council providing a quarter of the cost, and the arts manager's company the other 25 per cent. Anyone interested should contact ABSA.

Business in the Arts was initially funded to the tune of £5,000 each by twelve companies, including IBM, BP, Arthur Andersen and British Gas. It believes that improving the skills of those who work in the arts is probably a better service than throwing sponsorship money at them. It does not believe in the secondment of executives from the corporate to the arts world because American experience suggests that only those who can be spared are released.

Instead it wants good accountants, marketing men, computer specialists, etc, to identify with an arts group that is local to them on a regular but part-time basis, calling in, say, on Friday afternoons or in the evenings, or perhaps Saturday mornings, to run a business-like eye over any problem. The idea has touched a nerve and 48 willing advisers have signed on in London, ranging from managing directors to middle managers and coming from some of the funding companies as well as Marks & Spencer, PR firms and finance houses. Affiliated offices have also been established outside London.

There are currently 20 projects under way. Charles Amos, a finance and operations director at ICI International Management, is spending four hours a week helping the Almeida Theatre create a computerised modelling system which will advise it on the financial implications of any change of policy. In south London the Livesey Museum, the Cumming Gallery and the South London Art Gallery are being advised by Nicholas Kolarz, sales and marketing manager of Thermos, on how to present a more integrated face to the world. The British Film Institute is seeking more sophisticated performance indicators and once a month Julia Kreitman of literary agents Curtis Brown, and James Kendal, formerly of BP, pop in to assess progress.

And, of course, the commercial companies are well aware that their managers gain as much from mixing with the creative types as the artists do from business advice. This is a proven and productive form of sponsoring the arts.

Antony Thorncroft

London Sinfonietta

QUEEN ELIZABETH HALL

Another first-rate Sinfonietta concert last Thursday, very well planned: a pair of new pieces by the most admired young Finns, Kaija Saariaho and Magnus Lindberg, and a pair of interestingly related Stravinskys – *Pulcinella* and the Cantata on old English texts, which both look backward but to different periods. Esa-Pekka Salonen conducted with obvious enthusiasm and alertness.

Lindberg's *Marea* ("tides"), a world première, was deeply interesting. From a quite modest-sized band Lindberg draws a collective sound of extreme density; in fact, this is a chaconne on twelve-note chords. Soon strong currents become perceptible through the aural mass, moving up and down the different levels.

There are real, audible harmonic patterns, achieved by relating the chords to the overtone-series; a well-calculated lightening in midstream (with an exquisite little piano-break), robust rhythmic surges from below, timpani used sparingly to effect, and at the end a nod to pictorialism with stylised sea-bird cries.

No doubt the Sinfonietta will treat us to the Lindberg regularly. Saariaho's *Grammaire des Rêves* is more of a special event – it had the composer herself manning the electronics, and the committed soprano-and-mezzo duo of Elisabeth Harrison and Susan Bickley to sing and whisper the Eluard texts.

Grammaire is a dreamscape with answering voices, punctuated by the harp. Very slow-moving harmonies (except in the middle) carry the stream of multi-hued events, introverted but dramatic; there are Straussian lyrical passages, and continual changes of balance between the voices and the small ensemble.

Yvonne Kenny and the tenor John Aler sang a lovely and impeccable account of Stravinsky's Cantata, which carries the mock-period style of his *Rake's Progress* some way towards lean Webern. They and Salonen made something memorable of the harried "Westron Wind" verse, where most performances make next to nothing.

The bass John Tomlinson (and orchestral reinforcements) joined them all for *Pulcinella*, which was given blessedly complete.

In solos, duet and trio everybody was admirable but it was Salonen's keen, judicious energy that kept the whole performance crackling. It mattered not at all that there were roughnesses in the ensemble.

David Murray

Opera 80

TOWNGATE THEATRE, BASILDON

Opera 80's press nights in February had to be cancelled because of a fire at the first theatre of their tour, the Wyvern in Swindon. Last week, having travelled from Barnstaple to Carlisle via all manner of Chestertonian detours (principal sponsor: National Westminster Bank), they reached the 475-seat Towngate in Basildon, modern, traditionally horseshoe-shaped, comfy and welcoming. In May they can be heard in Brighton, Cambridge and Sadler's Wells before a well-earned rest.

Selecting the repertory for a young company such as this must be frustrating. The management understandably jibs at a constant diet of Mozart and Rossini (there are worse composers, though) and this year chose boldly: *Lucia di Lammermoor*, a piece that makes stringent demands upon its interpreters in every way and, after nearly three months on the road, was audibly taking its toll on youthful voices; and *The Merry Widow*, fragile, sophisticated froth that even the most experienced companies tackle at their peril.

Lucia benefited enormously from two things. First, an admirably singable and musical new translation by David Parry, which the singers projected both clearly and meaningfully; the action was communicated with decidedly uncomfortable directness. Secondly, brilliantly conceived production and design: Bunny Christie's permanent platform and back wall could not have been more simple, but Paul Pyant's lighting made them intensely dramatic, and the costumes in strong, plain colours made their own powerful contribution. The show looks quite wonderful. As in his Guildhall *Scipio*, the producer, Stephen Unwin, found a perfectly valid way of presenting drama from another age to a 20th-century audience; this involved big, melodramatic gestures familiar from Victorian prints – a great risk, but thanks to singers who know no fear, it worked. If they believe in it all, why should not we? An apparently simple equation, all-too-seldom solved.

The vocal performances were above all else honest, which allayed most doubts about technical accomplishment. The best singing came from Richard Campbell (Enrico): his baritone may be modest in volume, but it is exceptionally well-schooled and his sense of legato stands him in good stead for this repertory.

Andrew Greenan thundered sonorously as Raimondo, not always precisely on the note. Linda Clemens made a most appealingly fragile Lucia, and her subtly understated "little girl" enunciation added real Gothick Horror to the Mad Scene, but I felt that both she and Gordon Wilson's forthright Edgardo would have been helped by more give and take from the conductor, Ivor Bolton. His briskness and rhythmic propulsion are fine (only "Ardon gli incensi", taken at a brisk Viennese waltz tempo, seemed insensitively brisk), but singers need more room to colour their tone and shape their phrases to find all there is in music of such deceptive simplicity.

This Stephen Barlow certainly understands: the *Widow* was quite beautifully conducted, the *rubato* sensuously felt, the charm laid on with the most discreet of trowels. But what a difficult piece this is, depending as it does on sexual chemistry that young singers are unlikely to command, having presumably been concentrating in student days on polishing their *fioriture* rather than anything else.

Danilo (Richard Halton) has to be more than a rugger hearty, and cannot afford to display emotion so openly in the second-act finale; as the Widow, Heather Lorimer may have the most beautiful voice on offer on either evening ("Vilja" was exquisitely done) and look an absolute dream, but more is needed. Nor was there much allure in the agreeably sung Valencienne and Camille of Eleanor Bennett and Andrew Forbes-Lane.

Rodney Milnes

Kathleen Ferrier Scholarship

WIGMORE HALL

The standard at this year's final of the Kathleen Ferrier Memorial Scholarship was commendably high. When the time came to cast the votes, Dame Janet Baker, who was on the jury, apparently said that she would rather go home than have to make a choice between the top three or four candidates, each of whom had aspired to much the same high level of achievement.

Although other singing competitions have come along in recent years, the Ferrier still holds its place as the most prestigious award of its kind in this country. Faced with the difficult decision as to which name to add to its impressive roll-call of winners, the jury finally elected Stephen Gadd, a young bass from the Royal Northern College of Music, over his rivals. In my mind there is no doubt that they made the right choice.

For a singer of his age (25), Stephen Gadd is remarkably assured in technique and a real performer as well. In his operatic solo from Verdi's *Ernani* there was never any feeling that the singer was being stretched by the demanding range and breadth of the music, while the voice was also able to find the nuances required by his two song items. He sang Wolf's "Abschied" in clear and communicative German.

To make a choice between the runners-up was even more difficult. The jury awarded the Decca-Kathleen Ferrier Prize, in effect second place, to Alison Hudson, a warm and musical contralto, who made a less exciting impression in the final than reports from the preceding rounds might have led one to expect.

Third prize went to another bass-baritone, David Mattinson, less settled vocally than the winner but a most promising singer none the less.

Unfortunately, with all the prizes handed out, the cupboard was now bare and mezzo Debra Stuart had to go home empty-handed. As her singing of Mozart's *Così fan tutte* was among the most secure and dramatically alive of the whole evening, it seems to me Miss Stuart can count herself very unlucky not to have been among the major award winners. While she was on stage, one quite forgot this was a competition. There is no greater compliment than that.

Richard Fairman

★

Saturday's song recital at the Wigmore marked the return to London after a long-ish absence of Nicolai Gedda. The 65th birthday of the celebrated Swede is not far off, and allowances – for sluggishly flowing tone, shaky intonation, rough edges in the lower register – needed to be made throughout the concert, most of all in the opening Duparc group. (The top of this famously high tenor voice still rings out cleanly.)

It is extraordinarily impressive, though, that the singer's cultivated musicianship and unexaggerated sophistication in dealing with words have not been scathed by the inevitable depredations of time: if anything, his light, knowledgeable delivery in French (Duparc), German (Wolf), and, best of all, Russian (Mussorgsky and Rakhmaninov) has been distilled to new clarity.

The choice of Wolf and Mussorgsky songs, focused on the grotesque-comic and wryly cynical, suggested in addition that Mr Gedda's gifts for comedy have surely been underemployed in his 40 years as a leading tenor.

He is not a passionate or impulsively vivid performer, and probably never has been; but his civilised artistry is not a whit less valuable for that. Geoffrey Parsons' partnership at the piano combined strong support and discretion in admirably judged proportions.

Max Loppert

ARTS GUIDE

April 27-May 3

MUSIC

London

English Chamber Orchestra conducted by Jeffrey Tate. Thomas Zehetmair (violin), Thea King (clarinet). Weber, Mendelssohn, Weber (Tues). Barbican Hall (638 8891).

Paris

Joyce Lindorff (harpsichord). Poglietti, Frescobaldi, Vivaldi/Bach (Thur). Radio France, Studio 106 (42301516).

Trio Brueggen. The Birth of the Sonata – Spadi, Frescobaldi, Corelli, Riccio (Thur). *Chatelet* (40282828).

Jean-Marie Luisada (piano) and the **Arpeggione Quartet** (Thur). Théâtre des Champs Elysées (47208637).

The Versailles Centre of Baroque Music organises Saturday 5.30pm concerts of 17th century music at the court of France till November 3 (47663049).

Brussels

Orpheus Chamber Orchestra with Barbara Hendricks (soprano). Brahms, Britten and Haydn (Thur). Palais des Beaux-Arts.

Amsterdam

The Hague Philharmonic with Rian de Waal (piano), Paul Daniel conducting. Fauré, Hindemith, Rachmaninov (Tue). Concertgebouw (718 345).

Royal Concertgebouw Orchestra conducted by Neeme Järvi, with the Greater Broadcasting Choir under Robin Gritton. Sibelius, Tubin, Pärt. Concertgebouw (718 -345).

Utrecht

Mikis Theodorakis conducting his *State of Siege* programme (Mon). Vredenburg (31 45 44).

Wiesbaden May Festival

Wiesbaden, Staatstheater. Leading east European theatre and opera companies dominate the international May Festival opening in Wiesbaden this week. The festival begins with a production by Prague's National Theatre of Martinu's *Greek Passion* and includes companies from East Berlinand Schwerin and Warsaw. The highlights will be Harry Kupfer's version of *Der Freischütz* and Gluck's *Orpheus and Eurydice*. There are also performances by the Wiesbaden State Theatre.

Rome

Andras Schiff (piano) playing Bach's Goldberg Variations (Wed). Teatro Olimpico (393304).

Ilya Kaler (violin), winner of the 1986 Tchaikovsky prize, playing Mozart, Beethoven, Stravinsky-Duskin and Saint-Saens. (Thur). Teatro Ghione. (6372294).

Florence

The Moscow Philharmonic conducted by Vladimir Spivakov playing Schubert, Elgar, Haydn, Mozart (Mon) and the Orchestre de Paris playing Strauss and Rachmaninov (Thur). Teatro Comunale (2779236).

Bologna

The Scala Philharmonic conducted by Carlo Maria Giulini. Schumann, Ravel and Stravinsky (Mon). Teatro Comunale (529999).

Barcelona

James Bowman (counter tenor), **Robert Spencer** (lute). Dowland, Monteverdi, Ferrabosco, Blow, Purcell (Wed). Fundacion Caja de Pensiones (317 57 57).

New York

Sherrill Milnes baritone recital with Jon Spong (piano). Early Italian arias, Thomas, Santoliquido (Mon). Carnegie Hall (247 7800).

Alexei Sultanov piano recital. Mozart, Beethoven, Scriabin, Prokofiev, Liszt (Thur). Carnegie Hall (247 7800).

Washington

National Symphony Orchestra conducted by Randall Craig Fleischer with Christopher Shih (piano) and Garrick Zoeter (clarinet). Kabalevsky, Haydn, Weber, Bernstein, Mozart, Ibert (Mon); Hans Vonk conducting with William Steck (violin). Ravel, Martinon, Beethoven (Thur). Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Kenneth Jean with Janina Fialkowska (piano). Welcher, Liszt, Haydn, Bartok (Thur). Orchestra Hall (435 6666).

Tokyo

Bamberger Symphoniker, conducted by Horst Stein. Brahms, Haydn (Mon); Brahms (Tues). Suntory Hall (505 1010).

Songs for Drella

CHANNEL 4

Lou Reed and Jon Cale last worked together in 1968, when the fissile mixture that was the group Velvet Underground finally reached a critical mass. Cale left in that year, Reed departed two years later, and what had been the house band at Andy Warhol's Factory since 1965 effectively lost its centre.

Cale and Reed were indelibly marked by the Factory experience, and Warhol has remained a potent influence on their very different careers. While Reed sought out a more commercial sound Cale returned to his experimental roots; further collaborations seemed unlikely. But Warhol's death in February 1987, reunited them for a tribute, *Songs for Drella*. The cycle of 15 songs has just been released as an album (Sire WX345) and on Friday Channel 4 broadcast a recording of the premiere at the Brooklyn Academy of Music last November. It was an austere, haunting piece of television, with Reed and Cale delivering their songs with the minimum of fuss and just a sequence of back projected images to map their progress.

Cale's background is the same rich mix that produced Glass and Reich, Talking Heads and Laurie Anderson; his jagged, hypnotic accompaniments on keyboards and electrified viola and occasional lilting tenor offset perfectly Reed's dry, chanting deliveries and raw-edged guitar, which in their turn influenced both '70s punk and the later New Wave.

The songs follow a elegiac curve, outlining Warhol's life from beginnings in Pittsburgh and the escape to New York through commercial art training, the glitzy success of the 1960s, his shooting by Valerie Solanas in 1968 and the burnt-out society celebrity of the remainder of his life.

That final slow lonely fade is prefigured as early as the second song, while threaded throughout the cycle too are Reed and Cale's own attempts to come to terms with Warhol the person and his huge influence upon them. That all culminates in the penultimate number *A Dream* in which, over waves of gently pulsing keyboards and echoing guitar, Cale narrates a text by Reed that pastiches the style of Warhol's diaries.

All that remains is for Reed to deliver a short, numbed elegy over Cale's skirling viola, in which he grieves for the wasted opportunities, his failure to acknowledge his personal debt during the artist's lifetime. Songs for Drella could have been maudlin and pretentious, but it is by turns acidly funny, ironic and deeply moving; an extraordinary and permanent piece of work.

Andrew Clements

The technological trap

Nothing to laugh about

Michael Dixon considers the argument that many companies do not have realistic expectations of the adaptive powers of workers

Managers are fast learning to treat excited laughter in the workplace, not as an outbreak of high-spirits to be kept in check, but as a sign to dread. Nowadays, the cause is less likely to be some happy event than that the computer system has gone phut.

What most executives seem slow to learn is that the problems arising from technical breakdown are small beside those implied by the sniggering that greets it. Psychologists have found that laughter on such occasions is apt to mean the staff resent the system their bosses have imported, and are resisting the change it requires.

Even when the resistance is obvious, managements typically discount it as mere reflex dislike of new ways. With trade-unionism subdued, technological progress tends to be viewed as ultimately irresistible. Sooner or later employees will adapt to it, and any who cannot will be readily replaceable with others who can.

The strength of high-rank faith in humanity's adaptive powers was illustrated by the senior managers from two dozen of Europe's best known businesses at a recent conference held by the Index Group. The theme was "the Market/Customer Driven Company", and all attending were clearly committed to converting their companies to that type.

Repeated references were made to reports that, in Japan, a customer can go to a Toyota showroom on a Monday, order any model in any colour with any combination of options, and collect same by the end of the week. It was largely accepted that companies failing to emulate Toyota's legendary service are doomed to an early grave.

It was also largely accepted that survival hinges on technology. For example, one speaker pictured sales representatives as a fatally archaic means of doing business with customers. Every sales transaction – from specifying a suitable product and promoting its advantages, through taking the order and answering inquiries about its progress, to registering delivery, invoicing, chasing up payment and scheduling after-sales service – could be far better done electronically by staff at terminals linked to a constantly revised database.

While reps would still be essential, the speaker said, their role would no longer be nuts-and-bolts selling and otherwise handling details. Their job would be purely "relational", promoting goodwill between company and customers on a general plane.

Many of the audience nodded agreement. But half a dozen questioned later were unable to cite a single rep on their payrolls who was fitted for the radically changed role. All they could think of was several thousands who were not.

If their companies press on with the electronic development the speaker outlined, it is to be hoped evolution will supply reps with the right abilities in time. Otherwise it could well be lower-tech competitors who have the last laugh - and not just because the effects of reduced birthrates and so on are likely to make able recruits of any sort hard to find.

Lessons learned in the mining industry as long ago as the 1940s about introducing changes in technology and working practices have since held good in organisations across the world

Another and deeper reason is that executives overhasty to ring in the new are ignoring a warning bell that has been sounding for a long time.

In Britain it first clanged in the late 1940s when the recently nationalised coal industry began introducing "longwall" mining. The engineers and managers were determined to exploit every advantage offered by what was then the latest technology, and rejigged the miners' working methods to suit.

It soon became obvious that something was wrong. Besides unexpectedly high costs of installation and low gains in output, there were increasing absentee rates and other signs of worsening morale. It seemed that the members of each shift were working against, instead of with one another.

The Tavistock Institute of Human Relations was called in to investigate. And what it learned[1] not only eased the problem in the mines, but has since been applied by a good many, even though still a small minority of organisations across the world. The main lessons are twofold.

First, unless there is no need for humans at all, every technical system requires a social system to run it. Second, there is a point where the two systems become incompatible, with the result that attempts to maximise the technology stir up counter-productive antagonisms in its operators.

"So some of the technical possibilities must be foregone to meet the people's individual and social needs, and some of the people's preferences must give way to the strengths of the technology," explains Dr Frank Heller, director of Tavistock's Centre for Decision-Making Studies. "In practice, the technical and social systems aren't separate. Rather than maximise either, you have to view them as one socio-technical system and optimise their workings in conjunction."

One result of the 1940s discovery of the socio-technical principle was that Volvo and Saab began having vehicles built by groups of workers, with fair leeway to decide who did what and how, instead of subjugating them to machine-paced assembly lines.

Heller says that long after being exported to Sweden, what were then called "semi-autonomous groups" have been re-imported. "The Japanese took and improved them, mainly by adding a strong training element still unusual in the West, and they're now known as quality circles.

"But managers mostly stay addicted to the technological fix and maximising mechanistic returns. That's probably because of the third element in the mix – the economic system which at present rules that results are measured by the short-term bottom line. And while socio-technical approaches can pay off by that yardstick, it isn't a necessary consequence."

On the other hand, he adds, the longer-run costs of the technological fix have repeatedly been shown by research. Classic effects are that staff gain less satisfaction from their jobs in general, feel dulled by the lack of variety and challenge in their work, and resent being barred from using numerous of their abilities.

A 1960s study of Detroit car workers[2] found that all three effects were significantly linked with reduced mental health. The most baneful was apparently the under-use of abilities.

More recently, joint US-Swedish studies[3] have shown that increased risk of cardio-vascular heart disease is linked with "low decision latitude". The term describes jobs in which workers have little control over their task or their conduct while doing it. Moreover, no matter how hectic the work, the link with heart trouble emerged solely when the job also had low decision latitude.

Ian Angell, Professor of Information Systems at London School of Economics, sees the technological fix as especially hazardous when applied to computerisation. "In this new technology, machinery cannot be separated from human intellect, aspirations, culture, philosophy and social organisation. There must be increased emphasis on a policy for the effective management and utilisation of personnel at all levels in the organisation," he says.

"Not only must this policy ensure that misplaced optimism in the benefits of technology does not run roughshod over human aspirations, but also it must release the potential fount of ideas and innovation in the workforce as a whole. To do this, we really need to understand how technological systems affect both business and individual performance."

Martin Bauer, a social psychologist at LSE, suspects that many managers debar themselves from gaining the necessary understanding by their attitude to resistance to their designs. They tend to view it as an enemy and attack it by one of two means.

The first is to overpower it, with the potential drawback that the people resisting will build up countervailing force. The second tactic is to open a second front by raising a different issue that distracts the opposition, which can often be done at less cost.

Bauer thinks that, in the longer run, it is more productive to change the analogy and view such resistance as pain - a signal that something is wrong. In which case it is unlikely to be eradicated by warfare, but needs to be sensitively diagnosed and set to rights.

The diagnosis may well be difficult, he adds. In a small company he studied in Switzerland, staff initially showed their opposition to a system imposed on them only in general ways such as by laughing when breakdowns occurred. It took patient handling by the management to get them to make their real complaints specific.

As a result, the system was scrapped and replaced after a mere three years. "The replacement was chosen by more sophisticated criteria, and one in every three of the factors used was human as distinct from technical, compared with only one in eight the first time around."

Professor Angell doubts that one in three is enough. "A better balance would be eight in nine," he says. "It is the human factor, not technology, that makes the difference between commercial success and failure, and between acceptance and rejection of a system."

References:

1 Some social and psychological consequences of the longwall method of coal getting, by E.L. Trist and K.W. Bamforth. Human Relations, 1951, 4, pp 3-38.

2 Mental Health of the Industrial Worker, by A Kornhauser. John Wiley and Sons, New York, 1965.

3 Job decision latitude, job demand and cardio-vascular disease, by R. Karasek et al. American Journal of Public Health, 1981, July, vol 71, no 7, pp 694-705

Management abstracts

The New Managerial Work. *R.M. Kanter in Harvard Business Review (US). Nov/Dec 89 (8 pages).*

Argues that management work is undergoing significant and rapid change as a result of the flexible strategies and structures that competitive pressures are forcing organisations to adopt: old bases of management authority – like hierarchical structures – are eroding, and managers have to learn to widen their horizons beyond their previously limited areas of personal control to sense opportunities and form project teams to address them. This change involves the need for communication and collaboration across functions, divisions and companies, and emphasise the essential, continuing need for motivation towards improved performance. Identifies new motivational tools managers can use to encourage performance and commitment, such as helping people to believe in the importance of their work, offering work teams a share of value creation, and the chance to learn new skills and enhance individual reputations.

The Cost Carrying Paradox. *P. Bernard in Industrial Engineering (US), Nov 89 (6 pages).*

Defines this paradox in these terms: "carrying cost is not reduced as receipt (of materials) frequency increases where it costs more to process and handle the part than the savings in the cost-of-money". Believes that cost allocations are generally inaccurate and puts the blame on information availability (or lack of) which can blind managers into thinking that total costs are decreasing when in fact they are not. Advocates the use of a materials management analysis which is aimed at determining overhead costs for each part based on actual operating conditions. Compares this approach to traditional cost-carrying allocations and devises rules for this analysis, which – in turn – is shown as a six-step method involving part demand, handling cost and actual cost.

Communicating Results: Auditors. *D. Stokes and others in Internal Auditor (US) Dec 89 (17 pages).*

Not just results, this discusses various aspects of internal audit operations connected with communicating. The first paper deals with internal audit reports, describing how Kaiser Foundation Health Plan drew up "control objectives" which provide a reporting structure; the second feature is a slightish piece on improving verbal communication, while the third (and longest) is about fact-finding, and particularly, about interviewing staff suspected of involvement in improper actions.

Why Take the Stock Out? Britain v. Japan. *K. Williams and others in International Journal of Operations & Production Management (UK). Vol 9 No 8 89 (15 pages).*

Adds further fuel to the argument that much traditional management accounting is obsolete in the modern manufacturing environment and looks at the problems of orthodox accounting from the point of view of costs of holding stock. Questions why the issues of stock costs are not addressed in accounting literature and why engineers have picked on these issues. Analyses financial savings from stock reduction in terms of working capital, overheads, and fixed capital requirements. Considers the Japanese achievement in having lower average number of weeks' stocks than the British and why it is that British performance in stock ratios has shown little improvement.

Competitive Strategies in Retailing. *D. Walters and D. Knee in Long Range Planning (UK), Dec 89 (11 pages).*

States that retailing has been subject to rapid change in recent years as a result of demographic socio-economic changes and new technology. Against this background sees the development of retailers as brands, where the merchandise is only part of the package that includes trading environment, customer service and customer communications. Describes a strategy formulation model for retailers, looking at - *inter alia* - the identification of competitive advantage, researching market opportunities, and segmentation; suggests four questions management should ask themselves in deciding between strategic options.

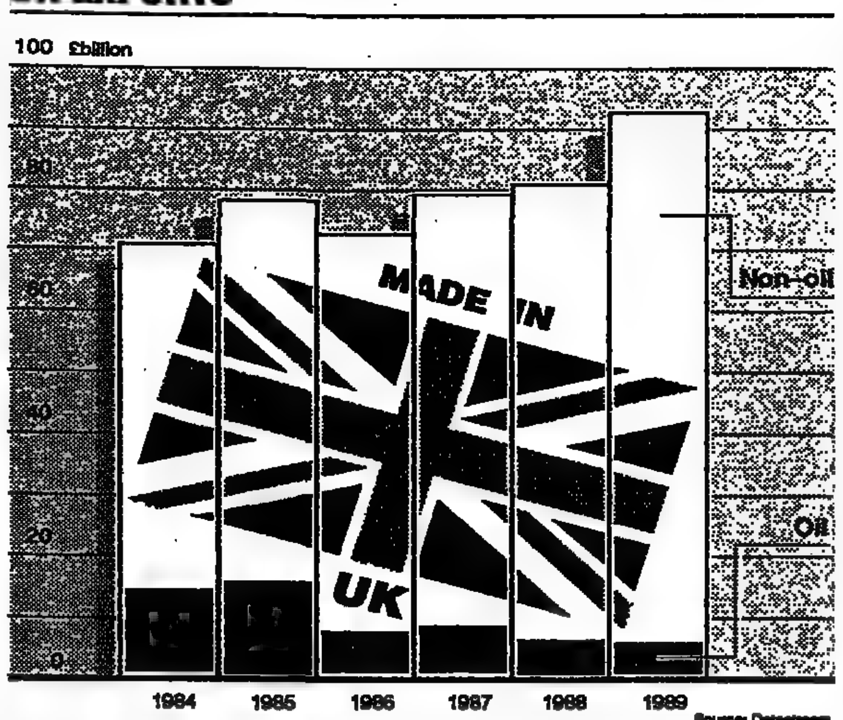
Introducing New Consumer Products. *J.K. Lucey in Management Services (UK) Jan 90 (8 pages)*

Reports on the procedure used in the Boots Company to introduce new products; contains much detail on all aspects from costs to product lifetimes; notes various recommendations for change.

The long haul overseas

Charles Leadbeater asks whether the UK has developed an exporting philosophy

UK EXPORTS



This September British Steel will recruit its first graduate in Japanese and Korean, a striking example of the effort the company is investing in expanding its exports in fast growing Far Eastern markets.

It earns a third of its revenue overseas, as well as making about a quarter of its UK sales to companies which are primarily exporters. In the coming year much will ride on the success of exporters like British Steel.

The thinking is that if export markets are there for the taking, companies should be able to switch their production from the depressed UK market. But after the Thatcher decade it is still not clear how competitive British exports really are. How much of the combined trade deficit in 1988 and 1989, of £36bn, reflects excessive growth in UK demand, which is now being reined in? How much is due to an underlying weakness in international competitiveness, now being exposed as income from North Sea Oil declines? And do British companies see markets abroad as an occasional outlet for surplus output, or as targets for a sustained and planned attack?

In the past 18 months non-oil exports have grown strongly, while imports have tailed off. In the last quarter of 1989 non-oil exports grew by 14.3 per cent while imports rose by only 1.6 per cent. However, earnings from invisible exports have been set back. With oil income declining this puts the performance of manufacturing to the test. Here the evidence is mixed.

The UK's export effort is extremely diverse. It ranges from companies like Glaxo, the pharmaceuticals group, with a turnover of £2.6bn, to Edgeworth Electronics, which employs 30 in its Darlington factory to manufacture amplifiers and loudspeakers.

In the past 10 years Glaxo's sales in the US have risen from virtually zero to $1.5bn. In 1978 the company had no employees in the US. Last year it had 3,900, many of them selling Zantac, its top selling anti-ulcer drug. Edgeworth has recruited distributors in 30 countries, and now sells more in France than the UK. It set out to expand its exports five years ago; now about 65 per cent of turnover comes from overseas.

Butterley Brick, a brick manufacturing subsidiary of the Hanson Group, is facing a significant downturn in its UK markets with the collapse of private housebuilding. British brick stocks have risen from 300m to 1.1bn. But Butterley has already established a presence in foreign markets. Last year it managed to sell 3m bricks in Japan. If ever there was a candidate for being able to switch production abroad swiftly it would be Butterley Brick. According to Mr Michael Rose, the company's managing director, the growth in exports has brought many benefits. It has raised the workforce's morale and confidence. New ideas have sprung from competing in new markets.

"Our exports are a crucial margin which keeps the whole place humming," he says, but warns: "You have to have a long term commitment to export markets. There is no way a big downturn in the UK can be suddenly taken up by exports. The only way to increase exports swiftly is to sell at dumping prices, which would leave you with virtually no profit." Butterley exports 30m bricks a year. Demand from private housing is likely to be down by 50m bricks this year. Mr Rose says: "That is 1m bricks a week. There is no way we could get exports up to 80m, we might manage an extra 10m."

Leyland Daf, by contrast, like all UK truck makers is heavily dependent on the domestic market, which has crumbled this year with a 25 per cent fall in registrations of heavy trucks. In the past four years the company's exports have risen from a few hundred vehicles in 1986 to 9,500 last year, mainly because the merger with Daf in 1987 provided access to 800 dealers in continental Europe. Yet the company has coped with the downturn in the UK by putting 1,200 workers on a four day week to run down stocks. It does not expect exports to fill much of the gap.

"In the short term it would make a marginal contribution. We have not been seeking to change the ratio. It takes 18 months to seal big export contracts," the company says.

Building up exports takes preparation and commitment. Mr Richard Barber, export manager at British Steel Distribution, says: "Exporting is very complex, costly and risky. It is easy to get caught. It is not a panacea. Off loading spare capacity is not the same as an export strategy."

In the short run profits can be slim. Bowthorpe Holdings, the electronics group, is just starting to sell in Finland, after two years of preparation. Mr Colin McArthy, finance director, says: "With that up front cost, recruiting staff with languages and appropriate technical skills, we will probably make a loss for the first two years."

Increasingly exports depend on a network of back-up services, which are important in differentiating products, adding value and communicating reliability. A competitive price is just an entry ticket into a market. Thereafter success depends much more on quality.

Mr Barber at BSD says: "In Europe we are marketing on our ability to distribute steel, just-in-time, to manufacturers, at assured levels of quality, with close technical back up, in many cases linking us to users through electronic data interchange." Having promoted the use of steel in construction in the UK, the company is now attacking the continental market, where steel is used as the framework for only 20 per cent of buildings.

But it is not a simple matter of delivering the right steel, at the right price. British Steel is having to educate potential customers. It has funded university courses to promote the use of steel and, allied with architects, consultants, designers, fabricators and engineers, gradually to promote the product. With customers looking at price, quality, reliable supply and after sales service, securing reliable foreign agents who sell the product is vital.

The selection, recruitment, management and training of agents has been central to the export strategy of Bonas Machine, a Gateshead textiles machinery maker. Its agents in 30 countries are regularly visited by UK staff and make monthly reports on the state of negotiations with all customers. Export growth is not achieved simply by a depreciation of the exchange rate. It has to be planned and managed.

Exporters say they are gradually overcoming Britain's reputation for poor quality. Mr Barber at British Steel says companies are more prepared for the rigours of competing overseas because the UK market has become more open to competition.

However a recent report for the National Economic Development Office is more doubtful. It called for urgent action in industries ranging from electronics to textiles to offset fundamental weaknesses in quality. The UK's high-technology sectors are the fastest growing and value-added per employee has grown significantly throughout the 1980s.

But the paper argues that the Britain's highly developed distribution and retail networks make it easier to export to the UK, than it is for British companies to break into markets where retailing is less developed.

In spite of the development of British companies' approaches to exporting the paper concludes the key to successful importing lies at home: "The need for UK industry to strengthen investment, research and development, training and the science base, remain the keys to the improved industrial performance needed to reduce the trade deficit to sustainable levels."

While British companies may dispute NEDO's suggestion that they lag behind their competitors on quality, few believe that exports will have a sustained surge as a result of a devaluation of the exchange rate. Mr Barber says: "Our exports have risen steadily through the last decade, in spite of a variety of exchange rates. To increase exports you have to have a long term strategy, not short term responses to swings in the exchange rate."

Mr McArthy at Bowthorpe Holdings says: "Because it takes so long to tie up export deals the main enemy of exporters is exchange rate volatility rather than sterling's level."

As important will be the growth of unit costs, with productivity growth falling off while wage pressure shows no sign of lessening. Unit costs among Britain's leading competitors are growing at an average 3 per cent a year, compared with about 8 per cent in the UK. For all their higher quality and service back up, British manufacturers may be losing their entry ticket into foreign markets.

John Lloyd in Vilnius looks at the problems mounting in Lithuania following independence

Freedom dash loses pace

Today is the 50th day since the declaration of Lithuanian independence. It has been a bold, precipitate dash for freedom, but now it is losing breath. This week, the main question before those who seek to deliver the republic from 50 years of suppression is: how much of the ground covered can be held, and how much must be ceded?

The pressures have multiplied and are now insistent. Perhaps the least attended to is that of the Russian minority (about 12-13 per cent) which, with the Polish minority (about 6 per cent), seeks to step up its opposition to the Government of President Vytautas Landsbergis.

On Friday, a number of Russian drivers staged an early morning two-hour protest, parking their trucks across busy intersections. Most were cleared within the hour but next day, at the inaugural congress of the Soviet Citizens of Lithuania, their leader, a Mr Bazhanov, was received as a hero by 400 delegates in the main hall of the Palace of the Railway Workers.

Connections are close between such groups and the military and pro-Moscow Communist Party of Lithuania – the smaller of the two parts into which the Lithuanian Party has split.

Mr Vladislav Shved, second secretary of the party, convened the meeting and gave a report to the Soviet Citizens full of complaints that Russian rights were being curtailed – threatened with dismissal, harassed, forced under the new law to choose citizenship of Lithuania or to leave within two years.

Mr Nikolai Novikov, organiser of the pro-Moscow Party branch in Transport Enterprise 3, from which some of the protesting drivers had come, admitted that the city party committee had encouraged the protest and helped organise it.

The economy poses a more urgent problem for the new regime, although the sanctions are only having a moderate effect and the latest indications are that they will be eased.

At the big Gersenas cellulose and paper plant outside of Vilnius, Mr Ludvikas Miskinis, the director, telephones the Government's anti-blockade committee every day – often uselessly – to discover news of supplies. His last deliveries of wood, from Kaliningrad, came on April 19. He has restructured his manufacturing process to save energy, cut the production of heavy cardboard and reckons to have cellulose supplies for 15 days and oil for 30.

All credit, run through Moscow, has been stopped. He can neither pay nor be paid. Keen to trade independently with the West, which takes some 25 per cent of his production, he does not even know who his present clients are – so centalised is the system under which he works.

There is talk of relief. Two oil tankers are due to dock in Kleipeda, the main Lithuanian port, on May 12 or 14 and the Soviet Ambassador to Norway has told the Norwegian Foreign Minister that ships will not be stopped from coming in. But the contract said to have been concluded between Lithuanian enterprises and plants in the radical-controlled cities of Leningrad, Lvov and Moscow as well as with the oil workers in Tyumen seem more hope than reality.

Mr Kasimiras Antonavicius, chairman of the Supreme Council's economic commission, says that "it will be hard to organise transport points. We have trucks stuck in Leningrad which cannot get permission to move."

Pressure now builds up, too, within Sajudis for compromise. Some, like Prime Minister Mr Kaziniera Prunskiene, favour at least discussion of the option – put up last week by Mr Yevgenny Primakov, a member of the presidential council, and on Friday given extra force by being endorsed by President Mitterrand of France and Chancellor Kohl of West Germany – of the freezing of the independence declaration of March 11.

Yet this is probably not possible. The Supreme Council is expected to debate concessions this Wednesday. Most Sajudis leaders expect any proposal of a freeze on independence to fail. Mr Vytautas Radzvilas, a founder of Sajudis and a member of its executive, voices a common view when he asks, rhetorically: "How can you freeze independence? It would mean a return to the previous position of complete slavery – and Moscow understands this." President Landsbergis has privately told his colleagues that he cannot offer it. His letter of reply to President Mitterrand and Chancellor Kohl was polite but non-committal.

What is likely to get through are concessions already well signalled: a willingness to freeze all legislation now planned, including a compromise on the law forbidding Lithuanians to be drafted into the Soviet Army. Mr Radzvilas said that rather than make a complete break between Soviet and Lithuanian nationality, Soviet citizens could live in the republic with all rights except those of voting. Soviet property is also included where it's proposed the deal will be who pays how much to whom for what.

President Landsbergis will be under increasing fire. Mr Arvydas Juozaitis a philosopher and Sajudis founder who stood aside from active politics in order to develop the intellectual and political culture of independence, recently launched a broadside on Sajudis in the press for its "irrationality," its inability to develop a flexible process of political dialogue with those it has been over-anxious to characterise as imperialists, occupiers and "the enemy."

"The President and the radical deputies have made the declaration of independence a sacred thing: completely untouchable. Attempts to consider compromise – as by (Algirdas) Brazauskas (leader of the Independent Communist Party) – are regarded as treachery. Many of the intellectuals are with Landsbergis, but the people – workers and peasants – are more for compromise, I think."

The entry of President Mitterrand and Chancellor Kohl into the debate is, however, of great importance. Mr Radzvilas thinks they can now act as a constant pressure on both Vilnius and Moscow. Mr Juozaitis sees them as a means of bringing more reality into Lithuanian politics; so far, President Landsbergis has only taken from their letter that they support Lithuania's independence.

Life in Vilnius is, as usual, sedate – perhaps a little more so. There is less traffic, less heating, the opera starts at 6 (a limp performance of Don Carlos) to save on lighting. Some soldiers have been black marketing oil, but that has been stopped. And, of course, the Lithuanian flag flutters over all.

LETTERS

Need for a European payments union

From Mr N. Sebag-Montefiore.

Sir, Your extensive coverage of eastern Europe in recent weeks has been right to stress the difficulties of economic adjustment which all countries are facing. One problem is perhaps seriously glossed over, and it is one where European Community action led by the UK could be especially helpful.

Trading systems between Comecon countries and Yugoslavia have almost broken down because there is no proper payments system or method of adjusting the value of currencies' validity. There is *no system of trading zlotys* against forints against Czechoslovakian crowns against roubles, etc.

To prevent raids by people living near borders either, visas have been introduced, as for Czechoslovakia with Poland and Hungary on March 24, which must be obtained in capitals, or a minimum hard currency exchange on visitors is demanded – in Yugoslavia, $200.

These are merely symptoms. The disease is that manufacturers cannot obtain the raw materials, spare parts or machinery on which they relied.

A European payments union is urgently needed with capital to ease differences on a short-term basis and some authority to alter clearing exchange rates. If the EC is to be actively prodded, perhaps the UK, with its free trade traditions, is the ideal leader.

It will cost us and our partners a great deal – as West Germany is finding out with its support for East Germany. However, as Mr Michael Camdessus says ("Best of both worlds," April 20), everything must be done to help these countries succeed in their switch to market economics.

This initiative is urgent: if not in place by September 1, for many companies it will be too late, with a permanent loss of manufacturing capacity and a great increase in disillusionment.

N.C. Sebag-Montefiore,
180 Kensington Park Road, W11

Sharing the knowledge

From Mr J.C. Willett.

Sir, Your editorial comment ("The rewards of ownership," April 23) suggests that the wider share ownership bandwagon could be running out of steam. If so, one of the reasons will surely be because of the misplaced expectation that either the Government or the Stock Exchange, or both, would give more than token support towards sustaining and developing the concept. Lessons learned from the disappointments of lost opportunities should help us to consider new and more positive options.

It seems inconceivable that we would want a future society where all our savings are institutionalised. Yet, on present trends, that is where we are heading. The danger is that it could well happen by default. That new growth industry – the creation of ombudsmen – may be good for those in difficulty but it does precious little to popularise understanding of the wider financial services scene.

New initiatives are necessary to redress inequalities and begin to reduce the knowledge gap caused by changes in products, legislation, markets, regulation, costs, technology and the quality of communication about them all.

J.C. Willett,
Director and General Manager,
Shareholder Monitor,
78 Carlton Road,
Worksop, Nottinghamshire

Model citizens whoever they cheer for

From Mr Angus Phaure.

Sir, Norman Tebbit's remarks about "which side would they be cheering for" probably confuses two quite separate issues – immigration and colour – by accident.

In each of the last two wars, British people who had emigrated to Australia, New Zealand, Canada, America etcetera came back to fight (and, in some cases, to die) on our behalf even before the countries of their adoption declared war on Germany.

It was, therefore, quite clear that they were cheering for their country of origin rather than their country of adoption, but I am quite sure that everybody, including Mr Tebbit, would unhesitatingly applaud the actions of such people!

The situation becomes even more complicated when one considers the number of non-British people from India, Pakistan, Burma, Africa, the West Indies etcetera who, despite having only tenuous links with us, nevertheless still felt so closely bound to us that they were willing to come and fight for us in two world wars.

Remarks such as Mr Tebbit's cause nothing but pain. The vast bulk of people who emigrate from the UK leave to seek a better life for themselves and their descendants, but they still identify with the UK as "home" after many generations in their chosen lands.

Equally, the bulk of immigrants to this country come to seek a better life for themselves and their children and seek zealously to serve the interests of their country of adoption. Any emotional ties they may have with their countries of origin are entirely natural and do not stop them from being model citizens and as "British" as the indigenous population.

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Time for an overhaul of the British economy's 'instrument panel'

From Mr J.G.R. Rix.

Sir, It is heartening that the governor of the Bank of England now recognises "the inadequacies of statistical data" which form the instrument panel by which the Government tries to fly the British economy ("Governor says policy errors fuelled inflation," April 6).

Probably the greatest malfunction is in the cost of living index in which the cost of property/accommodation lags by a long period the quicker moving prices, so that through the period 1985/1988 the index inadequately reflected the boom in house prices and its current cost reflection in rents.

With house prices rising some 40 per cent more than wage inflation, and probably representing in current cost terms some 20 to 25 per cent of the budget of younger working people, this represents an understatement of the index of some 2½ per cent per annum compound – or 10 per cent over the 1985/1988 period. Since that time, house prices have probably drifted off 10 to 15 per cent so the current index probably overstates inflation. In both cases "instrument error" has caused wrong reactions, resulting in, as the Governor says, "things going badly wrong."

However, the economic problems and their solution lie a lot deeper than that and only a return to understanding the fundamentals from which the figures derive will give a chance of providing the right longer-term solutions.

Of the many factors involved, 25 years of stop-go have both destroyed large sections of industry and meant that few have had the opportunity to get on a level of volume production that is internationally competitive. Only ignoring this fundamental would allow the Government to revel in the strength of sterling in the early 1980s with its devastating effect on manufacturing industry and to use the indiscriminate weapon of high interest rates to curb production volumes.

Strict adherence to the Government's criteria – close down loss-makers – would have lost Jaguar to the UK in 1982 and one can only guess that it escaped closure by pure chance while MG did not.

But what we really need is to build up more Rolls-Royce plcs where volume increases bring unit costs down. This, of course, was greatly assisted by the excessively strong dollar in 1985 and the ability since to sell its dollars, derived from deliveries three years hence at a big premium when converted to sterling. Its financial strength has complemented and strengthened its technical strength and excellence, as well as providing the workload to justify modernisation of its manufacturing operations.

Finally, one should beware of pilots who look round for the most optimistic instrument in the cockpit to impress the passengers with their skill and competence. Let us hope the governor will try to overhaul both the economic instrumentation and the quality of the interpretation thereof.

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Perestroika in peril

MR MIKHAIL Gorbachev has a problem: success. Unhappily for him, the success is not his. It is that of his predecessors. Their achievement – the fruit of terror and indoctrination – was to make the Soviet people deeply suspicious of the market and believers in equality and absolute economic security. The people – Mr Gorbachev's advisers have the cheek to complain – cling to a levelling communism as passionately as they wish to be rid of their Communist bosses.

"We must get down to creating a full blooded domestic market," declared Mr Gorbachev, when transforming himself into a powerful executive president in the middle of March. Shortly afterwards, the Government announced that 30 items of radical legislation – including price reform – would be produced by the beginning of May.

Now Mr Gorbachev seems to be hesitating. Following a joint meeting of the presidential and federal councils, a presidential spokesman has insisted that any changes would not alter the socialist nature of Soviet society. Moreover, "there will be no shock treatment for the economy, no leap into the unknown," he asserted.

Mr Stanislav Shatalin, a member of the presidential council, says that price rises will not take place before next year, this being a return to an earlier timetable. More ominously, Professor Nikolai Petrakov, President Gorbachev's economic adviser, who said only a month ago that Mr Gorbachev's team had 100 days within which to prove themselves, now argues that the Soviet people will not accept reform after all. At best, radical reform is being re-thought; at worst, it has been indefinitely postponed.

Lacks legitimacy

Either Mr Gorbachev and his advisers are still not sure what to do or, if they are (at last), fear that they will be unable to get away with the required changes. Neither state of mind would be surprising. Mr Gorbachev was a brilliantly successful *apparatchik*. It is largely on the job that his mind has been broadened, enlightened and disillusioned. He is also well aware that he lacks the legitimacy of an elected leader.

Yet, if not now, when? Radical reform, including price reform, may be daunting today; but it will be still more frightening next year. In Mr Gorbachev's hesitant hands the sickness of the Soviet economy has moved from the chronic to the critical. Imbalances are becoming ever worse as wages outstrip production and fiscal deficits pile up mountains of excess money.

The alternative of no reform is hugely unappealing. The CIA reports that 1989 was the worst year since Mr Gorbachev took over – and the others were nothing to brag about. If this continues unchecked, the Soviet Union will not merely lose its claim to second class superpower status; without swift reform the economy is likely to disintegrate.

Reducing obstacles

Economic reform is never likely to gain more than the passive acceptance of the people. But the obstacles might be reduced by ensuring, through the widespread distribution of equity, that they will gain directly from the increased efficiency that should follow reform. Such radical privatisation is, in any case, an essential precondition for success.

With regard to prices, the initial emphasis should be more on reform than on complete liberalisation, with the latter waiting upon radical demonopolisation of the economy. To accompany price reform, a social safety net will also have to be created.

Yet all such radical ideas are in danger of becoming academic. If so, Mr Gorbachev's decision not to submit himself and his programme to the test of a nation-wide election may prove a huge blunder. Unelected, he may never feel he has the legitimacy to risk radical change.

Having shirked the risk of a direct appeal to the people, Mr Gorbachev may be doomed to preside over rapidly increasing disarray. Economic breakdown may have to occur before the needed courage, or desperation, is found, quite possibly in other hands. If so, the further delay in implementing the promised radical reform is a harbinger of disruption at home – and anxiety abroad.

No future in a failed product

BRITAIN'S Conservatives are in worse trouble than at any time since 1979. The polls, which indicate a commanding Labour lead, can no longer be brushed aside as merely a reflection of mid-term blues. It is true that similar Opposition leads in 1981 and 1986 were followed by Conservative victories, but this time the opposition is united.

Yesterday's Mori poll in the Sunday Times put Labour at 54 per cent to the Tories' 31 per cent. The small parties could muster only 15 per cent between them. This Labour lead is too large to be indefinitely sustained, but it is not easy to see when the Conservatives will start to regain lost ground. For the economic cycle does not yet show signs of favouring the Government, which may be hard-pressed to produce an economic resurgence before it must hold another election. Even stealing Labour's clothes, by joining the exchange rate mechanism of the European Monetary System, may not be enough.

Yet Mrs Thatcher was in sparkling form on Saturday. She rehearsed her doubts about the Franco-German proposals for European political union to the Dublin meeting of heads of government without rancour, and emerged from this latest piece of EC summitry with a smile on her face and a prize in her hand. It is a small prize: a short delay while the foreign ministers prepare proposals for the June summit.

Airy-fairy talk

The present indications are that thereafter there will be a firm timetable for an inter-governmental conference (IGC) on political union, to start in December 1990, with all decisions to be ratified by December 1992, in parallel with the existing IGC on economic and monetary union. The Prime Minister is against this, but in her present political position there is little she can do about it, especially while Britain lacks the credibility that would accrue if it were inside the ERM. Meanwhile, her airy-fairy talk of British fears about the fate of the Queen and Parliament was doubtless intended for domestic consumption.

The community charge has emerged as the principal domestic issue in Thursday's local authority elections. If the polls are right, the Tories will lose even in constituencies in which Conservative councils have set a low poll tax. The Government has hinted that something will be done about the community charge, but it is still wrestling with the task.

All the options are unpalatable. If the poll tax alone is amended, that would still leave three-quarters of local spending set by the Government and tied to the rate of inflation, or less. The only way to build fiscal buoyancy into the new system is to uncap the uniform business rate, allowing councils to tax business at locally-determined levels, more or less what they did under the old arrangements. The political result would, however, be wholly negative.

National capping

All the other options involve tinkering with the poll tax, whether by income-related banding, or increasing the Government grant (at enormous cost to the exchequer), or placing a national cap on local spending, thus abolishing local autonomy. In the Government's present state of nerves a decision to implement any one, or a combination, of these is likely to be bungled: ministers would be digging themselves into a deeper hole.

The poll tax is a product that has been rejected by the market. It has bombed, badly. The least bad remedy right now is to withdraw it. That would mean the concurrent withdrawal of the uniform business rate and a return to the old rating system. It is technically possible to do this, since the former rating lists still exist.

A proper reconsideration of local government structure, functions and finance could then proceed at a measured pace. The argument against such a U-turn is that it would be humiliating for the Prime Minister, and damaging for the Government. It remains, however, the best option on policy grounds and, coincidentally, the least bad political option. How Mrs Thatcher faces up to this challenge over the next few weeks will indicate whether she is the person to lead the Conservatives into the next general election.

Peter Montagnon gauges the chances of success in the Uruguay Round multilateral trade negotiations

Saving face, or saving Gatt

It is inevitably awkward for a group of Ministers to spend three days conferring in an exotic resort on the shores of the Pacific and come away with no achievements to their credit.

Thus the 30 trade ministers who met last week in the brilliant sunshine of Puerto Vallarta, Mexico, were determined to claim that they had injected a new sense of urgency into the Uruguay Round of multilateral trade negotiations. Yet with no new agreements from Puerto Vallarta, the Ministers also exposed starkly the wide gulf that still separates them on the central issues of the Round, such as farm and textile trade reform.

Failing a rapid change of heart on the part of the major trading powers, the most ambitious round of trade-liberalising talks ever mounted seems headed for a crisis, which, some participants say, could develop as early as July, when senior officials meet to review progress at the General Agreement on Tariffs and Trade in Geneva.

Experienced trade negotiators add, however, that the exposition of basic positions, which took place in Mexico, was an essential prelude to the tense final stage of the four-year negotiation. It helped define the difficult political decisions they will need to make to complete the Round. A series of top-level meetings will focus on the Round between now and the end of the year, starting this week in San Francisco with a trade ministers' meeting of the US, European Commission, Japan and Canada. This will be followed at the end of May by a gathering of Finance and Trade Ministers at the Organisation for Economic Co-operation and Development (OECD) in Paris, and lead on through the Houston summit of the Group of Seven industrial countries in early July, followed later that month by the Gatt meeting in Geneva, and the ministerial grand finale of the Round in Brussels this December.

Only if some basic political decisions are made early in this process will it be possible to draw up in Brussels the detailed package needed before the negotiating authority conferred on the Bush Administration by the US Congress runs out.

The difficulty in which the Uruguay Round now finds itself owes much both to the desire of leading players to leave everything to the last minute and to the sheer audacity of its agenda. Aimed at revitalising the Gatt and securing the future of a world trading system that turns over more than $3,000bn in goods and $600bn in services a year, it is much more than another routine attempt to cut tariffs.

High on the list of priorities is an effort to liberalise world farm trade and bring trade in textiles under Gatt disciplines, objectives which have proved too difficult in the past. For the first time, the Gatt is also trying to agree rules in new areas of trade policy, like services, intellectual property protection and investment.

Taking on such a wide-ranging agenda was always a gamble. But the alternative was to risk seeing the multilateral trading system, which has underpinned Western post-war prosperity, crumble into bilateralism and regionalism, stunting both trade flows and economic growth.

Now, however, with little more than 200 days to go till their final Brussels meeting, negotiators are floundering in open disagreement. Not only have they signally failed so far to define their ultimate objectives in the core issues of agriculture, where the US has upset the European Community by pressing for a complete elimination of export subsidies. They cannot even agree the basis on which they should negotiate reform of a system, which, according to the OECD, is subsidised world-wide to the tune of $72bn a year.

Thus the US has been aiming its pressure for agricultural reform at specific policies, while the EC has been emphasising the need to look at the aggregate value of assistance which farmers receive. This approach would allow it to "rebalance" cuts in support in one farm sector with increases in another. Above all, it would preserve intact the basis of the Common Agricultural Policy, which is politically sensitive to small farmers in both France and West Germany.

In the equally controversial area of textiles, the US has refused to back away from its concept of liberalising trade through the introduction of so-called "global quotas." These are widely regarded as more restrictive, even, than the bilateral quotas through which existing trade is governed under the so-called Multi-Fibre Arrangement (MFA).

High on the list of priorities is an effort to liberalise world farm trade and bring textiles under Gatt disciplines

Almost all other countries, except for Canada, want to liberalise trade in textiles by phasing out these bilateral quotas, but the US is stuck with its global quota idea because this is the approach desired by its powerful textile industry. Record imports last year saw the US textiles deficit surge 8 per cent to a new high of $26.4bn, or 24 per cent of the total US deficit, and the industry has again managed to introduce legislation into Congress calling for import restraints.

Though such attempts failed twice before under President Reagan, Mr Carlos Moore, Executive Vice President of the American Textile Manufacturers Institute, says the new legislation attracted a record 55 co-sponsors in Congress. This suggests that the textile lobby could determine the fate of the entire Uruguay Round agreement when it is brought home to Capitol Hill. If the US gives up on global quotas, "there will be a lot of unhappy folks around. We will be able to generate a lot of muscle," he says.

Uruguay Round participants now aim to prepare by July a package of framework agreements in all 15 of the areas under review, which would at least set the basis for final detailed negotiation. Even a basic framework will tie the hands of negotiators to some degree, however, and cannot be agreed without early concessions in areas such as textiles.

For the Bush Administration, the Uruguay Round is now clearly established as the top priority in trade policy. There are some signs that its Agriculture Secretary, Mr Clayton Yeutter, is softening his absolute line on farm reform, but few believe any significant concessions will be made by either the US or Europe in agriculture or textiles by July.

"Both have the same problem," says Mr Michael Samuels, US ambassador to Gatt under the Reagan Administration. "They fear that if they deal with these issues too soon, they won't be able to cope with the domestic backlash." This, however, only makes negotiating the rest of the Round all the harder. Many developing countries consider that they have more to gain from liberalisation of trade in farm products and textiles, than from opening their markets to service industries and investment.

In these areas, together with the protection of intellectual property rights, they feel demands are being made on them by industrial countries for which they have so far been offered little or nothing in return.

Yet at the Puerto Vallarta meeting, India, which has been among the most hardline developing countries, found itself drifting towards isolation, while Brazil began to take a more conciliatory approach on the need to lift investment restrictions. Yet the North-South problem still lurks not far below the surface. Mr Domingo Cavallo, Argentina's Trade Minister, whose country led a successful attempt to block the Mid-Term Review of the Round in Montreal at the end of 1988, said it would be prepared to do the same again.

'Sure, we'll have a crisis in July,' says Canada's Trade Minister. 'And we'll have another one in December'

Although he believed that eventual agreement on agriculture was possible, the Round would be "a complete failure" if there was no substantial progress in liberalising trade in farm products. "Argentina would not have much cause to modify its position in services if there were no agreement to liberalise trade in farm products or textiles," he said. All this suggests that little overall progress will be made by July, fuelling fears that any final agreement in December will be too weak either to strengthen the Gatt or to wean the US away from its unilateral approach to trade policy.

Although the Bush Administration has said it does not expect to name Japan as an unfair trading nation in the citations due this week under the 1988 Trade Act, it still faces strong pressure from Congress. The government of Prime Minister Toshiki Kaifu has made concessions in response to last year's complaints on trade in satellites, supercomputers and lumber, and Congressional officials say this shows that the unilateral approach to trade policy actually works.

Congress remains sceptical of the Gatt and reluctant to repeal legislation providing for sanctions to be imposed against countries deemed to be trading unfairly. According to Mr Frans Andriessen, EC Trade Commissioner, this is likely to make it harder to negotiate stronger disciplines for the Gatt itself since its members will be reluctant to negotiate any new dispute settlement system which the US alone was determined to bypass.

The dilemma facing the Bush Administration is that, once again, this points to a weak final result. It would like a strong package to emerge from the Uruguay Round not least to provide a palliative for the unilateralist, Japan-bashing instincts of many US politicians. Without such a package it will also be difficult to persuade Congress to implement the package. Failure by Congress to do so would doom the entire exercise, just as it scuppered the international trade organisation proposed shortly after the second world war.

Though the House of Representatives Ways and Means Committee held a retreat in Greensboro, North Carolina, last weekend, specifically to examine progress in the Round, the Senate has yet to show much interest. Given the scepticism with which the Gatt is viewed by many US lawmakers, strong lobbying will be needed from a wide range of private sector interests to see the Round result through Congress, especially if it is disappointing to the powerful textile lobby. This means the package must produce gains for the US on a broad range of fronts.

Current thinking in the office of Mrs Carla Hills, US Trade Representative, is that it would be better to have no agreement at all than to cobble together a weak package of meaningless reforms. This means that a Herculean negotiating effort is needed between now and July to complete the political groundwork for a convincing final result.

Against this background, Canada's proposal to reform the Gatt by converting it into a fully-fledged world trade organisation is viewed privately with alarm by some leading trade officials. Their fear centres less on the content than on the timing of the proposal at such a delicate juncture in the Uruguay Round. It offers an easy but empty distraction for political leaders, whose commitment is now needed urgently to overcome existing hurdles. In particular, the idea of creating a new organisation may provide a way for G7 leaders at their summit in Houston to make a conspicuous gesture of support for the multilateral trading system and avoid a crisis in the Round while ducking the more substantive issues.

Many trade negotiators believe that a Round as complicated as this one cannot be completed without at least one crisis in its final stages that will serve to concentrate minds. In that sense the agenda set by trade ministers in Puerto Vallarta may yet serve the useful purpose of provoking a crisis in July rather than next December – when it will be too late to repair any damage.

The risk is still, however, that a crisis in July may not be deep enough to squeeze out the real political commitment needed. "Sure, we'll have a crisis in July," says Mr John Crosbie, Canada's Trade Minister. "And we'll have another one in December." By then, however, saving face may have become more important than saving the trading system.

OBSERVER

A jittery summer

■ If there is such a thing as a British Establishment, this is the anecdotal evidence of what it thinks in the spring of 1990. It would like Mrs Thatcher to step down voluntarily as Prime Minister in the relatively near future. She could do so with dignity and her achievements would be remembered with admiration.

What is more, the Tories under new leadership could then get on with attacking the Labour Party, which has risen to its present eminence in the opinion polls without being much subject to scrutiny. The Tories would win the next general election with a reduced, but safe, majority and Labour would eventually elect a new leader in succession to Neil Kinnock - someone more solid, such as Gordon Brown or John Smith.

But the Establishment on the whole does not yet believe that this is going happen. And the biggest single issue on which the Establishment divides from Mrs Thatcher is Europe. It thinks that the Prime Minister is repeating old British mistakes by staying aloof. There is some hope that she will change, but not much proof. That is why we are in for a jittery summer.

Shaka-shaka

■ The trouble with the Sony Walkman is that the noise leaks out. This is as much a problem in Tokyo as it is (say) on the London Underground.

A study by one of Japan's leading electronics makers found that two-thirds of those who use headphone stereos do so while commuting to work or school. For their fellow commuters, the escaping sound is an additional irritant to travelling on overcrowded public transport.

In Tokyo recently, a passenger on a train was seriously injured when he tried to get a fellow passenger to turn down the volume of his stereo. Japanese railway companies have since put up posters asking passengers to keep the sound from their headphones at a "reasonable level", and newspapers have been publishing letters from angry travellers.

The Japanese have now come up with a technological solution. Panasonic has produced a new headphone which, it claims, cuts the amount of leaking noise, without affecting the quality of the music heard by the wearer. The headphone uses an "amenity sound control system" to eliminate what the Japanese call the "shaka-shaka sound".

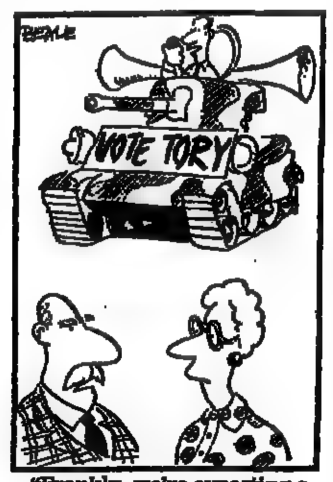
Sony initially brought out a set of earpads to cover the earphones. It has since launched a new model of headphones designed to keep the sound concentrated in the ears. Toshiba has used a similar approach.

But the Japanese are funny people. Just as they developed the fax, thinking that it would be largely for domestic consumption, it has not yet occurred to them that foreigners, too, might like to share in the new advance. Only Toshiba is selling the sound-proof stuff outside Japan. Commuters elsewhere will have to live with "shaka-shaka" for a while longer.

Dublin tale

■ There were more than 1,000 journalists in Dublin for the meeting of the European Council on Saturday. Only four of them turned up for a press conference given by Sinn Fein, the political wing of the IRA, in the basement of a local hotel.

They heard Gerry Adams, the Sinn Fein President, dwelling on the irony of holding a conference on German unity in a country which is itself partitioned. Adams wants a similar conference to discuss Irish unity – to be held in a united Germany.



"Frankly, we're expecting a tough time on Thursday."

Cheap music

■ Something is stirring in the world of Czech music. It is very good but, in market terms, underpriced.

At present, tourists in Prague pay the equivalent of 50p for a good seat at a Czech Philharmonic Orchestra concert – compared with up to £25 for one of the London orchestras at the Royal Festival Hall.

An ideal solution would be to get foreigners to buy the tickets at western prices, as part of a package tour. The Prague Spring Festival is currently negotiating to sell half next year's tickets to an Austrian marketing group for around £350,000. The festival needs the hard currency if it is to continue attracting top-class artists.

But the problem is that selling advance blocks of tickets to western entrepreneurs creates a two-tier system. The home audience is left with the worst seats, or none at all. There is also the question of how much influence outside forces will have on programmes and the choice of performers. The organisers say that they do not want to commercialise the festival or to spoil its unique Czech flavour.

Several compromises have already been made. Audi, the German car company which sponsors the Munich Philharmonic, will place advertisements in the programmes for the concerts that the Munich group will give at the festival. This is the first time that such advertising has been allowed.

Some artists have agreed to appear at reduced rates or be paid in Czech currency. Leonard Bernstein will be paid in full, but has promised to give half his fee to charity.

This year's festival, which begins on May 12, is secure; next year's may be shorter and smaller.

Lady Castle

■ Glad to see that Barbara Castle has been awarded the Commander's Cross of the Order of Merit of the Federal Republic of Germany. She was a bit of a battle-axe, never much liked the European Community, but when she became a Member of the European Parliament in 1979, got stuck in and fought for the kind of Europe (and Labour Party) that she wanted. Good for the Germans to honour her at the age of 79.

Basque lore

■ A group of French and Spanish Basques went to the United Nations to plead their case for autonomy. They were well received on the 38th floor, but on the way out they all attempted to go through the revolving door at once and were crushed to death. The UN concluded: Do not put all your Basques in one exit.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday April 30 1990

INSIDE

Stora doubles in size for European future

At a stroke, Stora, already Europe's biggest pulp and paper company, has doubled in size. Last Friday's DM4bn ($2.39bn) acquisition of Feldmühle Nobel the West German engineering and forest products group, drives home the Swedish-owned company's aggressive strategy – to prepare for the reality of the new Europe through acquisitions and restructuring. "If Sweden will not be a member of the EC, Stora must be," chief executive Bo Berggren (above) said last year. Page 23

Emerging markets grow strongly

Emerging stock markets, mainly in Asia and Latin America, continue to show an overall better performance than those in leading industrial countries, though there are big variations and high volatility. A detailed analysis by the International Finance Corporation, a World Bank affiliate concerned with promoting the private sector, finds that emerging markets account for four of the top five performers – but also four of the five worst performers. Page 20

Gloom in a friendless sector

Dark omens of further failures among development companies point this week to a further slide in property share prices. Worries about declining asset values, deepening concern about corporate cash-flow and growing fears about the effect of high interest rates have all conspired to leave the property sector friendless. Page 24

A guide for informed investors

Credit analysis has long influenced and underpinned capital flows by international borrowers and investors alike. Friday's down-grading of Citicorp by Standard & Poor's, the international rating agency, demonstrated the importance of accurate credit judgments for informed investment decisions. A report published this week by Moody's Investors Service examines US corporate bond defaults and default rates last year to provide clearer guidelines on the relationship between historical default rates and credit rating categories. Page 22

Market Statistics

Companies in this section

Exodus tests stockbroker's leading role

James Capel must guard its supremacy closely as top analysts continue to leave, reports Richard Waters

The position of James Capel in the pecking order of London stockbrokers is what it has been for the past decade: number one. But a rash of departures among its analysts, dissension from a vocal minority of salesmen and questions about the firm's strategic direction have all conspired to cast doubts on Capels' supremacy in the year's ahead.

Capel has lost a handful of its leading analysts in recent weeks – Terry Smith (banking), Tom Corran (brewing), Richard Dale (agencies), Terry Connor (publishing) – each of them ranked number one in their sector in the leading annual survey of investment managers' views undertaken by Extel Financial.

Others are expected to quit in the weeks ahead. Charles Larkum, senior UK equity strategist, is to leave during the summer to take a job outside the securities industry. And Capel is not confident of retaining the services of another of its select group of top-ranked analysts, Mr Simon Hayes (conglomerates). Mr Hayes was not at work last week and could not be contacted for comment. With headhunters sensing an opportunity and actively pursuing the firm's best staff, more departures seem inevitable. "There is a most unprecedented assault on the London office of James Capel at the moment by every headhunter around. They may end up taking more," says one senior Capel executive.

However, it would be wrong to conclude that this marks the irreversible decline of the firm which has led the UK broking market for the past decade – although it poses a serious challenge. Capel still has a long list of highly rated analysts, and will be able to plug some of the gaps quickly from inside (although others, such as that left in banking, will be harder to fill).

Also, it has bounced back in the past from the loss of "star" analysts – for instance, top conglomerates analyst Mr Bob Haville was lost to Morgan Stanley two years ago, but Capel was back at the top of the rankings a year later through Mr Simon Hayes.

The firm's leading clients are certainly not writing it off yet. Institutional investors last week generally expressed their satisfaction with Capel's work – although at the same time admitting that they might give some of their business to former Capel "stars" who have gone elsewhere.

What makes this exodus most notable is its timing. Capel lost its chief executive, Mr Peter Quinnen, a month ago after a well-publicised disagreement with Capel's parent, Hongkong and Shanghai Banking Corporation, which refused to countenance the idea of selling the broker. The rest of the management team has stayed intact, but the uncertainty about the firm's future in a possible merger between Hongkong Bank and Midland continues to dog Capel.

How investment managers rate the analysts

	1987 Rank	1987 Vote	1988 Rank	1988 Vote	1989 Rank	1989 Vote+
James Capel	1	19.7	1	20.7	1	21.6
Warburg Securities	3	13.0	3	14.1	2	14.8
Barclays de Zoete Wedd	2	14.8	2	16.7	3	14.8
UBS-Phillips & Drew	4	12.7	4	12.6	4	11.5
Kleinwort Benson Securities	10	5.1	6	7.9	5	9.4
County NatWest WoodMac	*8	6.7	5	8.7	6	8.9
	**7	9.0				
Hoare Govett	5	9.3	7	7.7	7	6.7
Smith New Court	13	–	11	3.4	8	4.5
Kitcat & Aitken	11	4.4	10	3.9	9	4.0
Laing & Cruickshank	9	5.4	9	4.1	10	3.8

* County NatWest Securities ** Wood Mackenzie
+Share of votes awarded to top ten firms
Source: Extel Financial poll of investment managers' assessment of firms' research abilities

And with stock market activity down after last year's partial recovery, some Capel salesmen are agitated that their job is being made doubly difficult by the way the firm is run.

This began as dissatisfaction among a small group of salesmen, who claimed that the analysts took too academic a view and did not produce enough ideas from which sales could be generated. However, it quickly spread, causing ructions throughout the UK equity division. "It wasn't a deep difference, but it certainly wasn't handled well at the time," one analyst now recalls ruefully.

Capel is stressing its commitment to its existing research approach. According to Mr James Fergusson (sic), joint chief executive: "If the institutions like it, why should we change it? We would be very foolhardy to change our whole research style simply because conditions were quiet."

However, there are likely to be changes internally to make the analysts and salesmen work better together. One change is likely to be the appointment of a mediator between analysts and salesmen to improve communications between the two groups.

A clear sign of the current gulf between the analysts and salesmen is the lay-out of the firm's dealing floor on the fifth floor of its headquarters in the City. Analysts are tucked away from the dealing room because of the layout of the building. When they do make the trip to the floor, they often get only as far as the specialist salesmen covering their particular sector, rather than penetrating further to the larger team of generalist salesmen in the middle.

While Capel faces up to the internal disquiet, other external factors are likely to have a greater impact on its long-term future.

The stockmarket is facing a squeeze after last year's relatively buoyant conditions: commission income is down by a quarter. At its current level, this will not top £250m ($409m) for the year. For Capel, with a market share of around 10 per cent, that means commissions of £25m. That is hardly enough to keep its research and sales operations ticking over and a poor return from its single most important product and market (although income from other products will bolster the total).

In such difficult market conditions, the Capel strategy since the time of Big Bang – to remain an agency broker rather than become a market-maker, at least in UK equities – has been called into question. If it is unable to make a good living out of its current large market share in UK equities, what can it expect in the future, particularly as rivals like BZW gain ground?

Capel has expanded overseas, and earns more than half its income outside the UK. But the UK leadership remains its strongest element, without which the Capel "brand" would be far weaker. Capel, meanwhile, claims it is not passing up a profit opportunity in not being a market-maker, and that as long as it can execute its client's business through other market-makers, it can continue on its current course – although it constantly reviews its position.

Should Capel's market share slip, and its standing with other securities houses' market-makers consequently fall, it could find more difficulty in having its clients' business executed at the most competitive prices. That would be damaging to its standing with clients, and would lead to a swift decline in its market position.

At the moment, comparisons with a firm like Scrimgeour Vickers, a leading broker in the early 1980s which had all but bowed out by the end of the decade, are misplaced. Capel is still in the game, and, on most counts, ahead. Its new management team need only keep it there.

Real estate, Trump card for pessimists

By Anthony Harris in Washington

It is easy to play the good-news, bad-news game with the US economy. There is nearly always a depression in some region or sector, and a revival somewhere else.

At the moment the main depression is centred over the Eastern seaboard, so that the view from Washington is dark; from Los Angeles, it looks better.

Consumer confidence, for example, is six per cent up from a year ago on the West coast, but more than 40 per cent down in the North-east, according to the Conference Board.

Time horizons matter, too. At the moment manufacturing is pulling out of something like a slump. Whether this is a real recovery, as orders for materials suggest (the steel industry is getting back to 90 per cent capacity working); or whether it is simply a "much slower rate of contraction," as a sober report from the Philadelphia Fed suggested recently, is a matter of time perspective.

Car output, for example, is well up over the last week, but more than 15 per cent down from the same period last year. However, even when all allowances are made for perspective, the state of property development looks as grim from here as it must from London. It has been a buyers' market for some months; but now there is a rising note of financial panic, in which rumours that Mr Donald Trump (cash holdings: just under $400m) is in trouble get a serious hearing. There is no doubting the panic here. A recent meeting of a local business group, in which real estate developers were in the same room as their bankers, turned into a hysterical shouting match.

The developers are finding that flows of bank finance which they thought were firmly guaranteed have suddenly been cut off, and are under pressure to pay down part of their existing loans. Now they fear that forced realisations of half-completed projects could spread ruin to the whole regional industry.

The bankers claim that they are only exercising ordinary prudence, and this kind of talk is hardly likely to make them feel any bolder. Nor is it likely to convince the Comptroller of the Currency, who is responsible for prudential supervision, that his rules are too strict. His inspectors have been accused of tightening their criteria so suddenly that business is being disrupted. They reply that the market has tightened, not the rules.

This process is not over yet. The latest news is that inspectors are beginning to look suspiciously at home equity loans – the second mortgages which here, as in Britain, are the cheapest source of consumer credit. The valuations on which these are based are beginning to look dangerously exposed, and the banks are being warned to watch it.

Suddenly, the clearance sales being held by local furniture and appliance chains, which are closing up to half their branch outlets, are cash-only affairs.

Why, then, was the idea of a prudential squeeze brushed aside as "talk" in a recent newspaper interview with the deputy chairman of the Fed, Mr Manley Johnson? It is tempting to conclude that it is simply because the Fed doesn't really know what is happening.

This is a city of bureaucratic turf wars, and a Fed official who was talking to me last week found it highly amusing to be cross-questioned about prudential criteria. Amusing, because this is not a Fed show.

Never mind the economy. In any case, a property market collapse progresses insidiously underground, like subsidence in a coal mine. A pit prop caves in here, some rock falls there, and each incident looks containable. It is only when you come to the surface that you find that the whole landscape has altered, that previously sound structures are cracked and tottering, and that it may take years to put it right. That is what happened in Texas, where the collapse started in the mid-1980s, and where stories of recovery are only now beginning to look half-plausible in some places.

Texas, though, is widely regarded as a foreign country, and its troubles as an overdue come-uppance. Colorado has never shown the same arrogance, so that no-one gets any prurient satisfaction out of contemplating the Denver disaster; but the Rockies are a long way away from most Americans, so they ignore the trouble rather than licking their lips over it.

The area stretching from Boston to Washington, on the other hand, is the old political heartland of America (and politically over-represented, pending the results of the current census). Its pain will be increasingly felt in Congress.

This looks like bad news for the budget process, where impatience with the transparent fictions of deficit-targeting under Gramm-Rudman-Hollings has finally provoked some sensible proposals; and it may make Secretary Cheney's defence cuts hard to achieve, because defence is a major prop in the North-east.

It is good news, though, on the populist-protectionist front. This is pure home-grown trouble, nothing to do with unfair foreign plots to sell quality consumer goods, or sinister empire building.

Economics Notebook

UK prefers a bank in the hand

THE EVOLVING deal between the British and French Governments to site the planned European Bank for Reconstruction and Development in London, while making Mr Jacques Attali, President Francois Mitterrand's personal adviser, its first president, has been hailed as good news for the City of London.

The prospect of London becoming the home of a large international institution is seen as an important reinforcement of its position as Europe's premier financial centre. But the same meeting of European finance ministers last week that pointed to London as the most likely home for the new bank to aid eastern Europe's transition to a market-based economy also provided food for thought over the City's long-term position.

For the first time, Mr Theo Waigel, the West German finance minister, formally requested that Eurofed, the future European central bank, should be based in Frankfurt.

British officials consider that a bird in the hand is worth two in the bush. The creation of the EBRD is agreed while Eurofed lies in the dim and distant future. Moreover, the UK Government can hardly put London forward as a possible home for the European central bank as long as the Prime Minister is so opposed to European monetary union.

Frankfurt is already expanding rapidly as a financial centre – not least because of the business opportunities opening in eastern Europe. If it became Eurofed's home, its international importance would grow further.

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To the occasional visitor, West Germany's federal system of Government seems as smooth running as the big Mercedes or BMWs that barrel along the fast lanes of the country's Autobahns.

But this may not be the case much longer. The issue of how to finance the costs of monetary and economic union of West and East Germany is fuelling a row over finance between West Germany's federal, state and local authorities.

The potentially huge cost of union and the federal Government's insistence that it can be financed without tax increases have launched Mr Theo Waigel, the Bonn finance minister, on a desperate search for sources of revenue.

Some estimates have put the cost of unification to the public purse at DM40bn ($23.9bn) over the first year. But such a figure takes no account of what appears to be a rapidly growing budget deficit in East Germany that may yet have to be financed by West Germany. Bonn finance ministry estimates put the East German deficit at between DM20bn and DM40bn this year and DM40bn to DM60bn in 1991.

The federal Government has said its support for East Germany will consist mainly of financial backing for East Germany's pension and unemployment funds as well as selective support for public sector investments. Mr Waigel wants the five states that will make up East Germany to solve the East German deficit and has said it should not be added to West Germany's budgetary burdens.

The Bonn Finance Ministry is counting on continued strong economic growth in West Germany and economic recovery in East Germany to generate more tax income and cover some of the costs of union. It also expects savings from the annual DM26bn of subsidies that currently flow to West Berlin and the East-West German border areas. Defence spending also will fall because of reduced tension between east and west.

There is scope for a cautious increase in borrowing. Largely because West Germany's health insurance funds were in surplus last year, West Germany's overall public sector deficit shrank to DM7bn or just 0.3 per cent of gross national product, its lowest level since 1973.

But Mr Waigel also wants the federal states and municipalities to stump up one third of the cost of union. He has been encouraged to pursue this aim because their finances are healthy. Last week the Bundesbank reported that the municipalities had a DM2bn surplus last year while the DM7.5bn deficit of the 11 federal states was half the DM15bn federal deficit in 1989.

Mr Waigel is seeking a bigger percentage of value-added tax income for the federal Government: this is currently split with 65 per cent going to the federal Government and 35 per cent to the states. He also has suggested that West Germany's pension funds help finance East German pensioners.

The state governments have rejected such ideas for 1990, saying their budgets are already fixed for this year. Moreover, many West German voters are incensed at the thought of their pension contributions financing East German pensions.

A succession of state elections this year will ensure that negotiations over how to share the cake will be tough. Britain, with its poll tax debacle, is not the only western democracy where questions of finance at a local level are posing problems.

Peter Norman

THIS WEEK

THE continuing debate over German economic and monetary union is likely to command attention in a quiet week for economic data.

The Bundesbank council meeting on Thursday has provided a focus for market speculation that a rise in German interest rates may be in the pipeline. But action as early as this week looks unlikely.

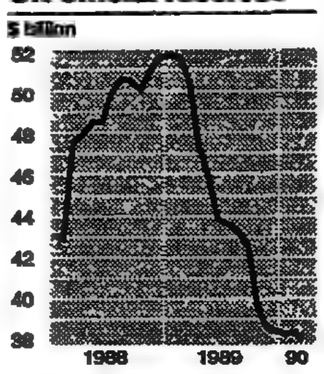
The Bonn Government's adoption of looser terms for German monetary union than the Bundesbank had advised appeared last week to strengthen the case for monetary tightening. But the West German authorities seem unlikely to act before Sunday's meeting of the Group of Seven industrialised nations in Washington. Mr Karl Otto Pöhl, the Bundesbank president, said last week that inflation and interest rate worries were exaggerated. He indicated that higher West German rates would be necessary only if East German consumers spent their savings once converted into D-Marks, or if the forthcoming West German wage round resulted in inflationary pay settlements, or if the D-Mark waned on foreign exchange markets.

The state of the West German economy should be much clearer by Friday, after publication of figures on trade, industrial production, orders and employment.

In the UK, attention will turn to the local government election results on Thursday night. The results are being treated as a test of confidence in the Government, after its difficulties over the poll tax.

The only significant data from the UK Government will be the official reserves figures for April, due on Wednesday. The consensus of analysts' forecasts compiled by MMS International, the financial research company, is that the reserves will show a reduction of $200m compared with a $429m cut in March.

UK official reserves



American minds will be occupied by the US labour market figures for April, released on Friday, which should provide clues on the present balance of growth and inflation. The consensus of market opinion is that civilian unemployment will remain unchanged at 5.2 per cent. The employment statistics should provide more interest. The workers taken on to conduct this year's census distort the picture, but non-farm payrolls excluding these are still expected to rise by 180,000. Such growth could revive calls for tightening by the Federal Reserve. However, manufacturing employment may remain weak.

Other notable events and statistics, with consensus forecast figures from MMS International in brackets, are:

Today: US, personal income figures for March (rise of 0.5 per cent).

Tomorrow: Japan, Foreign Exchange Reserves for April. UK, CBI quarterly industrial trends survey.

Wednesday: Japan, Current Account for March. US, Leading Indicators for March (down by 0.6 per cent), Federal Reserve releases "Tan Book." UK final money supply figures for March.

Thursday: Canada, Foreign Reserves for April, (C$425m).

Friday: West Germany, unemployment for April (minus 15,000).

FINANCIAL TIMES
Monday April 30 1990

S Korean workers clash with police

By John Ridding in Ulsan, South Korea

WORKERS and riot police fought battles yesterday in the streets of the South Korean city of Ulsan in protest at Saturday's storming of the Hyundai Group shipyard to suppress a three-day strike.

The weekend's violence started when an estimated 10,000 riot police quickly gained control of the Hyundai Heavy Industries shipyard in Ulsan following a military-style dawn raid. Later, there were fights throughout the south-eastern city between police and thousands of workers from the yard and other subsidiaries of the Hyundai Group, one of Korea's largest conglomerates.

Riot police took control of the shipyard after firing a volley of teargas and using bulldozers to break through barricades. Several hundred police landed from the sea as helicopters dropped leaflets calling on the workers to restore order.

Most workers inside the yard scattered, but others threw firebombs and nuts and bolts and set fire to the tents in which they had camped for three nights. More than 100, armed with firebombs and steel pipes, took up position on a giant crane.

Despite the scale of the operation, no serious injuries were recorded: the clash was less violent than many in recent years. The police said they arrested about 300 trade unionists though most union leaders were believed to have escaped.

In the nearby factory of Hyundai Motor Corporation, Korea's largest automobile manufacturer, workers set fire to police vehicles and threw petrol bombs at police, who responded with tear gas.

The strike was triggered by the arrest of union officials for organising an illegal industrial action at the end of last year.

Union leaders of 13 Hyundai subsidiaries will today decide whether to strike in protest at the police action. A strike seems likely at Hyundai Motor Corporation, but unions at the other companies in the group are expected to recommend more limited action.

Yonhap, the official Korean news agency, said an association of labour unions in nearby Masan and Changwon had voted to begin a sympathy strike today.

More widespread protests are forecast for tomorrow, which is May Day.

Workers at the state-run Korea Broadcasting System indicated that they would return to work today, ending a three-week strike in protest at the appointment of a new president.

The strike at Hyundai Heavy Industries was the biggest so far this year and followed a relatively peaceful period of industrial relations. The business community has become increasingly nervous and the South Korean stock market recorded its second biggest daily fall on Saturday, losing almost 4 per cent of its value on fears that industrial unrest could spread, bringing the loss for the year so far to more than 20 per cent.

The swift suppression of the strike reflects the tougher government line on industrial relations and the poor industrial relations record of the Hyundai Group, which also suffered protracted strikes last year.

President Roh Tae Woo warned last week that strikes, which have caused severe economic disruption over the last three years, threatened social stability and would not be tolerated in the current spring wage bargaining round.

Analysts say that while the government's approach has been successful so far this year, with the number of strikes down by 80 per cent in the first quarter and the average level of pay increases held to single figures, there is a danger of a union backlash.

Police buses burn in Ulsan at the weekend after being set on fire by workers protesting at the storming of a shipyard

Market for Brent crude threatened by status in US law

By Steven Butler in London

TURMOIL in the market for North Sea Brent crude oil, caused by concern at its status under US law, looks set to grow worse this summer as production volume tails off while quality becomes erratic during a period of heavy off-shore maintenance work.

The status of Brent crude as an international marker, against which a large number of oil contract prices are fixed, is in danger both because an insufficient number of cargoes will be available for trading and because quality and value could vary significantly between cargoes, according to the report by County NatWest WoodMac, the London stock-broker.

Liquidity in the Brent market has already fallen off sharply over the past 10 days following a US District Court ruling that the Brent forward market was a US futures market subject to US laws and regulatory authorities. This has hit the volume of transatlantic trades, with many European traders halting or keeping to a minimum contact with their US counterparts.

County NatWest WoodMac also lowered its estimate for UK oil production this year to an average of just 1.82m barrels a day (b/d), taking account of poor field performance in some cases, and delays to start-up of new and existing platforms.

An oil executive suggested that these lowered expectations could be hit again if, as the law of averages dictated, accidents or unforeseen difficulties encountered during maintenance shutdowns led to extended delays before starting up again.

Brent's ability to serve as an efficient market in the international oil markets depends on a high volume of production of reasonably consistent quality. Output through the Brent system has already been cut to below 500,000 b/d and will be hit again by between 100,000 and 190,000 b/d between May and September during a series of rolling shutdowns on the Brent field for installation of emergency shutdown valves, as required by Government.

From late September to mid-November the pipeline from the Brent fields to the Sullom Voe terminal in the Shetlands will be closed for six weeks, although up to about 190,000 b/d can be produced offshore into tankers.

This fall in production would be enough to reduce volume below the 30 or so tankers a month needed to provide sufficient liquidity in the market. The density of Brent blend crude may also vary, depending on the field.

Negotiations have been under way for some time to mix the streams of crude oil coming out of the Brent and Ninian systems, both of which are in decline. This would boost liquidity in the market and extend the usefulness of the Brent contract until at least 1997.

However, while County NatWest WoodMac reports agreement is near on allocation procedures for putting a price on the constituent pipeline crudes, there are still logistical issues concerning shipping and terminal operation which could delay agreement. This makes it unlikely that agreement would be reached in time to prevent a sharp decline in Brent market liquidity this summer.

Peace poses new test for Vietnam

John Murray Brown examines efforts to close the north-south gap

TODAY, 15 years after the fall of the US-backed government in Saigon and the reunification of Vietnam, the country's second city is providing the communist leaders with a strategic challenge of a different kind.

After financial scandals in Ho Chi Minh City, as Saigon was renamed, the unprecedented sacking of a senior Politburo reformer and recent hardline statements, the party's septuagenarian leaders are beginning to rethink the south's limited experiment in capitalist-style economics.

Vietnam, the world's 12th most populous nation, is one of the poorest. Its 64m people have a per capita annual income estimated at $150.

Conservatives in Hanoi are concerned that the modest prosperity and economic autonomy achieved by the south could encourage calls for political change and exacerbate the north-south divide.

The collapse of a private loan co-operative in Saigon in March brought people onto the streets and presented the Government with an uncomfortable credit crisis. Farmers have also protested, apparently at moves to give prime plots to party officials. This is one of the less fortunate aspects of an otherwise laudable government plan to return land to private ownership.

On April 15, the closure was announced of the city's massage parlours – a symbolic attack on western decadence which economic reform is seen to have encouraged.

Since 1986, subsidy cuts, new credit and investment laws and changes in farm ownership, have given the economy a badly-needed fillip. Inflation has been curbed from 700 per cent to about 30 per cent. As a result, there is renewed confidence in the currency, the dong, with little difference between the official rate and that of the black market – extraordinary for a communist country. Production of rice, the main staple, has reached record levels. Vietnam exported a 1m tonne-plus surplus in 1989, and harvest prospects are good again this year.

Vietnam also kept up with interest payments on loans from the International Monetary Fund, although relations with the fund are suspended. But the south, with its more recent entrepreneurial traditions, is seen to have benefited more from the reforms than the north, wrapped in a central planning orthodoxy since the French colonialists were forced out in the 1950s.

In Ho Chi Minh City, family firms are reviving their former businesses. Modern shopfronts are appearing to meet growing consumer demand. Hotels are being refurbished, many reverting to their pre-1975 names in a further test of the limits of official tolerance. Meanwhile, hotel lobbies are full of foreigners scouting for trade opportunities.

The case for further economic reform appears overwhelming. The Soviet Union, preoccupied with its domestic problems, is said to be cutting annual aid to Vietnam to $1bn. Some economists say this could amount to 2 to 3 per cent of Vietnam's GNP although the calculation depends critically on the rate used for the rouble.

Large numbers of Vietnamese workers are returning from eastern Europe in search of jobs. Also, the proposed demobilisation of up to half Vietnam's 1m-strong army will prove a further economic burden. However, in the countryside near Hanoi soldiers are being redeployed in agriculture and road construction.

The Government is drafting a new tax code to increase revenues. This could be a way to redress the economic gap between north and south. But diplomats suggest that Nguyen Van Linh, party general secretary and orchestrator of the recent reforms, may be bowing to conservative pressure.

At the Communist Party's plenum in March, he bluntly interpreted the political turmoil in eastern Europe as the work of "imperialist and reactionary" forces.

Last month the leaders abruptly removed Tran Xuan Bach, the one member of the 13-strong Politburo who had openly argued for political reform. He was the first Politburo member known to have been sacked.

The western aid embargo, despite Vietnam's troop withdrawal from neighbouring Cambodia, is still in place. Diplomats suggest this is being used by conservatives to argue against a more open policy.

Entertainers sing near Tay Ninh for Vietnamese troops just returned from Cambodia.

THE LEX COLUMN

Keeping Scotch in short supply

The forthcoming flotation of Invergordon, the first Scotch whisky producer to come to the market for decades, is presented by its promoters in conventional terms: the recent surge in profits, the move to up-market brands and so forth. But there is a sub-text. The history of the Scotch industry is notoriously cyclical, the last downturn having been so vicious that it cost Distillers its independence. Now, supposedly, it is different. More than two thirds of production is in the hands of four players, with Guinness at their head. Scotch is in the hands of an unofficial Opec: the cycle has been abolished.

The history gives reasonable support for this. Between 1945 and 1975, world demand for Scotch grew by 8 per cent a year on average. This was chiefly a function of growth in world GNP, which in the long run is more important than fashion in determining demand. The recession of the early 1980s was correspondingly disastrous, particularly for developing markets – South America, the Middle East, Africa – which depended on oil for hard currency. Since the Scotch industry typically lays down six years worth of stocks, the ensuing crisis duly came to a head in mid-decade.

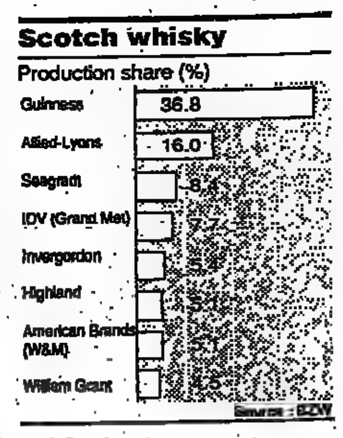
The industry in the early 1980s was highly fragmented, with no-one approaching Distillers' 40 per cent share of production. So far from giving a lead on price, Distillers dumped excess stock with the best of them. It was not until the arrival of the present top management at Guinness in 1987 – a year after the takeover of Distillers – that the policy was adopted of deliberately holding stocks off the market.

By this time the industry was noticeably more concentrated. Guinness had swallowed up Bells: Allied Lyons had added Hiram Walker and the Whitbread brands to Teachers. At the same time the tightening of supply that began in the early 1980s was working through, with dramatic results. In 1986, a dozen bottles of unlabelled commodity Scotch cost £4.80 ex-duty. The price is now £17.

The explosive rise in prices now seems to be over, with the increased production from the mid-1980s feeding through to supply just as the world economic outlook in the 1990s poses questions for demand. It is the classic prescription for a renewed downturn; but perhaps neither side of the equation is as it was 10 years ago.

The previous snag about developing markets for Scotch – their dependence on oil – no longer seems to apply. This time the new markets – in the Far East especially – are less economically uniform and probably more robust. On the supply side, the conditions now exist for what is politely known as an orderly market. Barring accidents – such as an interloper coming along and building a big new grain distillery – the industry players are small enough in number and sufficiently scarred by experience to realise the merits of withholding stock in a market downturn rather than dumping it. Equally important, companies like Guinness, Allied and GrandMet have deep enough pockets for the job.

For Guinness itself, the stock market implications are fairly encouraging. Having been the best-performing stock in the FT-SE 100 last year, it has settled for 13th position this year so far, outperforming the market by a mere 11 per cent. Though the great re-rating is doubtless over, the present rating looks secure; and Invergordon, in its own humble way, still looks worth a punt.



Volvo/Renault

Poor Swedish investment managers. Stuck with their large holdings in Volvo, they have had little reason so far to thank Mr Gyllenhammar for his alliance with Renault. Seven months ago, when word started leaking out in Stockholm, Volvo's B "free" shares went up 4 per cent in a day. Since then, news has come of the savings Volvo expects from the deal: short-term, SKr800m each year, long-term more like SKr2bn annually. And yet Volvo's shares have resumed the marked long-term underperformance which began at the end of 1985, and are now 30 per cent below last October's high.

Volvo is not alone in this kind of pattern. Its share price history bears striking similarity to that of Daimler-Benz since 1986. This is hardly surprising, since to investors' minds the two looked alike, as cash-rich quality car-makers, with enviable past earnings records, faced in the 1980s with the problem of coping with the motor industry's over-capacity and severe competition. But what investors want is to see Volvo's share price performance look as good as that of of Asea-Brown Boveri, Sweden's other great cross-border merger. But if so, the Volvo/Renault hybrid may have to be run as firmly by the Swedes as ABB is now.

Invisibles

The invisible surplus, that reliable saviour of previous UK balance of payments crises, resolutely refuses to ride to the rescue this time. The Treasury treated first quarter invisibles as neutral; though the difficulty of calculation means all such estimates should be treated with caution. For example, the fourth quarter figures for 1989 included a positive balancing item of £10.1bn, which could either have been an unrecorded current account net credit or an unrecorded net capital inflow. But if one treated all previous balancing items as unrecorded capital inflows, it would be possible to wipe out much of the UK's supposed £24bn net asset surplus.

The size of that surplus is important because interest, profits and dividends (IPD) have traditionally made up the bulk of invisible earnings. If the trade figures had steadily underestimated capital inflows, that would eventually show up in the IPD account as income was paid to overseas investors. In any case, the rise in UK interest rates to 15 per cent has played a significant part in reducing the recorded IPD surplus. And it is hard to see an improvement on this score while a current account deficit of the present magnitude needs financing.

The other elements of the invisible account look more encouraging. The Treasury insists that transfer payments to the EC and insurance payments abroad have recently been unusually large. So a return to normality there, aided by a tendency for the hard-pressed British consumer to holiday at home this year, should allow modest surplus in the next three quarters. Even so, an expected surplus of £2bn will be the lowest since 1980. The cavalry will have to arrive from a different direction.

US move could cut phone costs

Continued from Page 1

banks – would develop internationally because private circuits were the building blocks for such services.

Even if the US is successful in Geneva, countries will have to change their own regulations which usually follow the CCITT's recommendations.

Thatcher sets out to confound her critics

Continued from Page 1

speak of political union."

They might thus, with luck, find out by a process of elimination what policies they really wanted to pursue.

As far as Mrs Thatcher was concerned, political union would not mean getting rid of the Queen or any other heads of state, national parliaments, national legal systems or Nato.

This hardly came as a surprise to the other heads of government who had never suggested anything of the sort.

Indeed, Mr Charles Haughey, the Irish Premier and chairman of the Council, said he would never have "the temerity" to make any comments on the British monarchy.

On the contrary, Mr Haughey was confidently able to rule that abolishing royal families and national parliaments was not part of European political union.

This came as welcome news to Mrs Thatcher but did not do much to advance the debate.

It was hardly astonishing that an Irish journalist of some renown should find the whole proceedings somewhat puzzling.

"I know we have not yet decided what it is, but do you believe, whatever it is, that it is inevitable?" he asked Mrs Thatcher.

It was, as the UK Prime Minister pointed out, "a very Irish question."

Not as difficult to answer, however, as an English one which followed: "If political union is such a vague, airy-fairy, not to say contradictory set of concepts, why did you lend your signature to the statement in the communique that you reaffirm your commitment to political union?"

It might have been a knock-out blow if the adversary had not been in such good training. She had signed the document because, at the moment, political union meant very different things to very different people. Mrs Thatcher, who undoubtedly is very different, said.

The most committed political unionist could not help but savour the devastating counter-attack, when it finally came. It should not be forgotten, the Prime Minister said, that the Community had already signed a Treaty – the Single Act – which provided for co-operation in foreign policy.

This committed member governments to consulting one another before going ahead with any particular policy.

Yet, within a few days of a joint statement on Lithuania, issued by the Foreign Minister of the Twelve, President Mitterrand and Chancellor Kohl had put out another one on the same subject, which was different from the first.

"This is one thing which makes me realise they will never think of giving up national sovereignty."

Mrs Thatcher even administered a shattering riposte to as redoubtable a fencer as Mr Jacques Delors.

The President of the European Commission had commented that if Mrs Thatcher's negative approach of talking about things you don't mean had been adopted by God, He would never have created Adam.

"Well, God did better on His second thoughts when he created Eve," was the Prime Minister's reply.

It is by no means certain that either President Mitterrand or Chancellor Kohl would agree with that assessment.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	S	17	63	Malta	S	22	72	Rhodes	S	20	68
Algiers	C	24	75	Edinburgh	C	13	55	Manchester	C	16	60	Rio de J'o	F	35	95
Amsterdam	C	16	61	Faro	F	19	66	Manila	F	35	95	Rome	S	18	64
Athens	S	21	70	Florence	S	22	72	Melbourne	C	14	57	Salzburg	S	12	54
Bahrain	S	36	97	Frankfurt	S	16	61	Mexico City	C	27	81	San Francisco	–	–	–
Bangkok	F	34	[illegible]	Funchal	[illegible]	18	64	Miami	–	–	–	Seoul	S	23	73
Barcelona	S	17	63	Geneva	S	16	61	Milan	S	19	66	Singapore	F	33	91
Beirut	–	–	–	Gibraltar	F	17	63	Montreal	–	–	–	Stockholm	F	12	54
Belfast	C	13	55	Glasgow	C	13	55	Moscow	F	16	61	Strasbourg	S	16	61
Belgrade	C	11	52	Guernsey	S	13	55	Munich	S	13	55	Sydney	S	22	72
Berlin	C	12	54	Helsinki	[illegible]	13	55	Nairobi	–	–	–	Taipei	C	24	75
Biarritz	S	18	64	H. Kong	F	28	82	Naples	S	22	72	Tangier	[illegible]	17	63
Bombay	[illegible]	32	90	Innsbruck	[illegible]	16	61	Nassau	C	29	84	Tel Aviv	F	22	72
Bordeaux	S	21	70	Inverness	C	[illegible]	55	New Delhi	–	–	–	Tenerife	F	21	70
Brussels	S	15	59	Islamabad	F	23	73	New York	–	–	–	Tokyo	C	17	63
Budapest	F	13	55	Istanbul	F	12	54	Nice	S	18	64	Toronto	–	–	–
B. Aires	F	24	75	Jakarta	–	–	–	Nicosia	S	24	75	Tunis	F	23	73
Cairo	S	25	77	Jersey	[illegible]	16	61	Oporto	S	16	61	Valencia	F	18	64
Cape Town	–	–	–	Jo'burg	–	–	–	Oslo	F	9	48	Venice	S	18	64
Caracas	C	27	80	Lima	F	25	77	Paris	S	16	61	Vienna	C	12	54
Casablanca	C	19	66	Lisbon	F	18	64	Peking	–	–	–	Warsaw	C	12	54
Chicago	–	–	–	London	S	19	66	Prague	F	11	52	Washington	–	–	–
Cologne	[illegible]	15	59	Los Angeles	–	–	–	Reykjavik	F	2	36	Zurich	S	15	59
Copenhagen	C	14	57	Luxembourg	S	16	61								
Corfu	S	22	72	Madrid	F	16	61								
Dallas	–	–	–	Majorca	S	24	75								
Dublin	C	14	57	Malaga	R	17	63								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

INTERNATIONAL CAPITAL MARKETS

UK GILTS

City suffers in the cruellest month

APRIL IS the cruellest month, said T.S. Eliot; the gilts market is about to discover whether May will be just as spiteful. Last week's unexpectedly high trade deficit put the cap on a series of upsetting figures, which in turn crowned a dreadful month.

Mr John Major, the Chancellor, reassured that they represented a "very considerable dis-conjunction" of a series of one-off factors, a sort of superblip. But the market took no consolation from the Treasury's soothing words.

Last week, the benchmark 11¾ per cent Treasury 2003/07 ended at 93¾ to yield around 12.7 per cent, having closed at 96¾ the previous Friday. It began the month at 98⅜. The yield rose by some 40 basis points last week alone.

The June long gilt contract closed at 77⅛ last week, up slightly from its lows of 77, which would translate into a yield of about 13¾ per cent on the benchmark 2003/07 gilt. That corresponds with some analysts' fears: that the market may have to get quite a bit worse before it can get better.

The bad news has been consistent throughout the month, but last week was a concentrated burst of melancholy. This began on Monday with the money supply figures for March, which indicated that M0 is still growing very rapidly; at 6.3 per cent in March from a year earlier on a seasonally adjusted basis, on the basis of the Bank of England's provisional estimates, compared with 6.4 per cent in February. City economists calculated from data released on the amount of notes in circulation that April would show a rise in M0 growth to more than 7 per cent.

The trade figures were disappointing, though how far they indicate the strength of demand, a revival of stock-building for export or a structural problem in the balance of payments is hard to tell. But they focused attention on two things: that sterling is still very vulnerable, and that policy is too inflexible to allow for substantial support for the currency without a further rise in base rates.

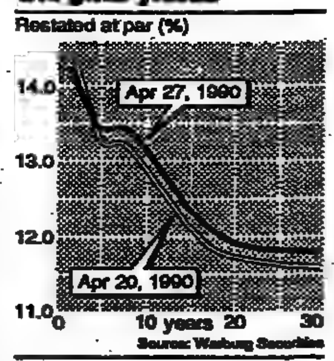
This was one focus of the Treasury and Civil Service Committee's report on the Budget, released last week. It concluded that Mr Major had done little in his Budget "to lessen the uncertainties surrounding the prospects for the economy," and called the reliance on interest rates an "unresolved dilemma."

It is one which will be probed again when April's figures for inflation are released, giving some idea of the inflation profile for the remainder of the year.

The TCSC report once again probed the mists surrounding the operation of the funding rule, by which the Government mitigates the impact of debt management on monetary policy. It would, the committee noted, be helpful if the published rule were the same as the one being operated, but this did not appear to be the case. There is evidence that suggests that "full funding has not in individual quarters provided the market with even an approximate indication of the actual practice of national debt management."

UK gilts yields

Restated at par (%)



Source: Warburg Securities

The committee recommends that "the Government puts an end to the uncertainty now prevailing in the gilts market by clarifying its debt management policy, preferably by announcing that, as long as the public sector remains in surplus, the surplus will be used to moderate the growth of broad money, gilts being retired but only 'to the extent necessary to maintain the banks' operational deposits.'"

The report quotes a Treasury official saying that "if necessary, to stop the Treasury Bill issue becoming too large. . . we will depart in the short run from the funding rule."

Some analysts believe that Monday's money supply figures gave evidence of a small gilt sale in March, as a result of just this eventuality; and there is continuing anxiety that the Government may be about to start funding into what is already a very rough market. This has been one factor contributing to the flattening of the yield curve, even without any apparent policy moves. The short end of the market remains anchored by 15 per cent base rates – but how long they can be sustained is uncertain, given the Government's political problems.

Thursday's local elections are to this extent the crux of the matter for the gilts market: not because gilts depend on who runs Croydon, but because they crystallise the twin political and economic dilemmas: how to bring down interest rates without damaging sterling and undercutting the anti-inflationary strategy, and how to cushion the poll tax burden without ripping up the spending estimates or tearing the Tory party apart.

The state of the gilts market is quite bad enough, without the bad case of nerves in the US bond market which is likely to shake bond markets around the world in May. Is the gilts market about to turn a corner, reaching levels where it is oversold, and will April be the month when the market can be seen in retrospect to have emerged from no-man's land?

Andrew Marshall

US MONEY AND CREDIT

Little respite for the Treasury

STILL REELING from its precipitous price falls after the release of March consumer prices figures, the Treasury market got no respite last week and yields surged above 9 per cent across the coupon yield curve.

The market appears to have lost its nerve and with good reason, although with yields now at their highest levels for the year, perhaps the time has come to try to find a justification for buying at these levels.

The trouble is that nobody is prepared to call an end to the market's recent plunge until the quarterly refunding gets under way and the appetite for US paper, particularly from Japan, can be gauged.

The array of negative influences on the market were the same last week as the week before: concern about relatively robust economic growth towards the latter part of the first quarter, some worrying inflation numbers, rising yields in rival bond markets in Japan and West Germany, concern that the US Federal Reserve may start to tighten monetary conditions and a dramatic increase in the Treasury's funding plans because of the need to finance an acceleration in the programme to bail out thrifts.

The bond market had waited all last week for last Friday's advance estimate of first-quarter gross national product which turned out to give the market mixed signals. The 2.1 per cent rise in gross national product in the first three months of the year was somewhat less than the consensus forecast and well below the most pessimistic estimates of a rise of 3 per cent.

On the other hand, the inflation deflators were clearly worse than the market had been expecting. The fixed weight deflator, the most widely watched, was up by 6.5 per cent in the first quarter compared with 3.6 per cent in the final quarter of last year.

The market had expected a gain of around 5.5 per cent in the latest three months. The implicit price deflator gained 5.7 per cent from 3.2 per cent in the fourth quarter of 1989, and again was well above estimates of a 5.3 per cent rise.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.19	8.19	8.25	9.92	8.00
Three-month Treasury bills	8.02	7.94	8.05	9.11	7.20
Six-month Treasury bills	8.34	8.22	8.22	9.37	7.18
Three-month prime CDs	8.80	8.50	8.40	10.35	8.10
30-day Commercial Paper	8.30	8.25	8.35	9.95	8.05
90-day Commercial Paper	8.37	8.22	8.30	10.05	8.10

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk ago
Seven-year Treasury	97⅜	-⅝	9.05	8.94	8.68
20-year Treasury	101⅜	-⅞	9.13	9.04	8.77
30-year Treasury	94⅞	-⅞	9.02	8.94	8.63

Money supply: In the week ended April 16, seasonally adjusted M1 rose $4.4bn to $810.4bn.

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 19/4/90	Average yield (%)†	Last week	12 wks ago	26 wks ago
Overall	142.89	7.38	142.61	144.29	148.67
Government Bonds	140.61	7.20	140.39	143.03	148.76
Municipal Bonds	144.46	7.44	143.95	146.14	149.89
Gov.-guaranteed Bonds	146.78	7.50	146.29	147.95	151.17
Bank Debentures	140.43	7.55	140.20	140.31	142.69
Corporate Bonds	145.98	7.52	145.78	146.49	151.59
Yen-denom. Foreign Bonds	152.27	7.62	152.06	151.90	157.50
Government 10-year†	6.67		6.67	6.13	5.30

† Estimated par yield

Source: Nomura Research Institute

The bond market initially jumped around ½ point on this package, presumably focusing on the headline growth figure, but Treasuries soon slipped back again. At Friday's close, prices had stabilised with modest gains, leaving the benchmark longbond ⅛ point higher to yield 9.02 per cent.

After the GNP release, opinion remained divided on how bad inflation pressures were and, more importantly, how unacceptable they were to the US Federal Reserve. Some analysts believe that inflationary pressures will tail off after a bad first quarter.

Donaldson, Lufkin & Jenrette, for example, is sticking with its forecast of an inflation rate in 1990 of 4.5 per cent to 5 per cent because it believes that a number of special factors boosted prices in the first quarter and that GNP growth should slow down.

In contrast, Salomon Brothers believes that Friday's GNP figure probably underestimated the economy's strength and that inflationary pressures will remain high.

There is no doubt that the fixed income market has begun to anticipate firmer monetary policy (although some of last week's price declines could be attributed more directly to a desire to boost yields to a level which would get the quarterly refunding away).

There is a widespread view that the Fed must be looking closely at raising its Federal funds target from 8¼ per cent to perhaps 8½ per cent in reaction to steady growth and unacceptably high inflation. It is likely that, if the Fed is contemplating a move, it will act after Friday's employment report for April, the first indicator of activity in the second quarter, but before the refunding kicks off on May 8.

Early estimates for the April jobs release suggest a strong rise in the non-farm payroll. The figure will have been boosted significantly by the number of people hired to carry out the latest US census but, even without this distortion, there appears to have been a rebound in hirings in construction, retail and services.

Concern that this year will see diminished capital outflows from Japan and that fresh funds, if committed, may be directed towards continental Europe has come at the same time as a marked increase in Treasury financing needs.

A pattern of larger bill and Treasury sales has already been established over the past few weeks and is tied directly to the provision of working capital to the Resolution Trust Corp, which is speeding up its bail-out of thrifts.

Last week, the Treasury announced a record $10bn one-year bill issue to be auctioned on Thursday – this compares with the $9.75bn sold at auction in early April. There is also talk that the quarterly refunding will total more than the usual $30bn in line with this pattern of increased borrowing. The best bet is that the Treasury will add perhaps another $500m to what is expected to be a $10bn three-year auction. The details will be announced on Wednesday.

Even ignoring concrete and direct concerns such as digesting this supply, confidence in US financial markets is at a low ebb. It seems that some of the excesses and lack of regulatory vigilance which characterised the 1980s are now coming home to roost. That may not have a direct correlation with bond yields but signs of fiscal and financial fragility do nothing to persuade overseas investors to choose the US to put their money to work.

Two points of concern come to mind. One is that the increasing costs of the thrift bail-out are beginning to focus attention again on the US budget deficit. Even without the thrifts, the process of reduction seems to have stalled because of increased spending.

The second is that even the most respected of US banks are being looked at with scepticism because of their exposure to the weak real estate market, highly leveraged transactions and the perennial problem of lending to less developed countries.

Standard & Poor's decision to lower its ratings on around $30bn in short and long-term debt at Citicorp, despite being a small move, focused attention on the vulnerability of the banking sector to an economic downturn.

Janet Bush

FT/AIBD INTERNATIONAL BOND SERVICE

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on APRIL 27

Software developer to unify its range

By Roderick Oram in New York

COMPUTER Associates International, the world's largest independent developer of software, is unveiling today a development strategy which will seek to unify the wide range of programmes it offers.

Called CA90s, it is billed as a new architecture which will allow many of CA's software programmes to run on differing computer hardware systems and to work with each other. Linking software or switching it from one system to another is a time consuming and expensive task for users.

CA, based in a New York suburb, stressed it was not developing a new architecture but incorporating existing ones such as International Business Machines' Systems Application Architecture and Digital Equipment's Network Applications Support.

"It's an evolutionary step not a revolutionary one. We don't believe in discarding old and proven technology and products," said Mr Bryan Shepherd, CA's executive vice president of marketing.

The move will mean that users will be able to build on their existing investment in software rather than spend heavily to update or switch to new programmes, CA said.

CA has grown through acquisition to have revenues for the fiscal year ended in March of about $1.25bn from $1.03bn the previous year, analysts estimate.

Norton sees $346.1m net

NORTON, the US abrasives manufacturer which last week agreed to be bought for $2bn by Saint-Gobain, the French glass maker, said that it expects to make net income of $346.1m this year, dropping to $266.1m in 1994, writes Janet Bush in New York.

The company detailed its earnings projections in a filing with the Securities and Exchange Commission in connection with the $90 a share tender offer by Saint-Gobain.

Banesto to float 26% of newly formed offshoot

By Tom Burns in Madrid

A WEEK AFTER gaining a big tax concession from the Spanish Government to create Corporacion Industrial y Financiera, a conglomerate that groups the widespread industrial and financial interests of Banco Espanol de Credito (Banesto), the bank's chairman Mr Mario Conde is set to earn Banesto a second windfall by placing 26 per cent of the holding on the market.

The flotation will be worth some Pta83.2bn ($783m) and will thus constitute the largest placement by a Spanish corporation after the partial privatisation of Repsol, the state energy group, a year ago. It is being underwritten and lead by UBS Phillips and Drew and will be offered in international and domestic tranches, the division of which has still to be decided, later this year.

Corporacion Industrial y Financiera, which has a value at current market prices of Pta320bn, is Spain's largest private sector holding. It has controlling interests in key companies across the whole industrial board, employs some 50,000 and accounts for more than 1 per cent of the gross domestic product. The placement will reduce Banesto's stake in the corporation from 77 per cent to 51 per cent.

Leading companies in the corporation include Union y Fenix (insurance) and Tudor (batteries).

Hitherto institutional buyers into the Spanish market had their options reduced to acquiring equity in the banks, the electrical utilities and the small number of American Depositary Receipts that includes Telefonica and Repsol.

Mr Conde received a fiscal breakthrough from the Government last week when the the Economics Ministry waived 70 per cent of the capital gains tax due on the the profits realised by Banesto when the bank revalued its assets to bring them under the same corporate roof. The concession came under a Spanish law that was framed to encourage mergers and saved Banesto Pta19.2bn in tax bills.

Repsol given permission to bid for Gas Madrid

By Peter Bruce in Madrid

REPSOL, the state-owned Spanish petroleum group, was given permission by the Government late on Friday to launch a takeover bid, worth some $300m, for 69.1 per cent of Gas Madrid, the sole supplier of domestic gas to the capital.

Repsol, which was partly privatised in a $1bn flotation last year, owns 30.9 per cent of Gas Madrid and said yesterday it wanted to increase its presence in the gas market.

The company owns Repsol Butano, a virtual monopoly supplier of butane, mainly used for cooking, to 13m homes in Spain. Theoretically, Repsol also has direct access to the industrial gas market in Spain through Enegas, the state-owned wholesaler.

Both Repsol and Enegas are controlled by the Instituto Nacional de Hidrocarburos (INH). The INH will be the legal buyer of the Gas Madrid stock, though most will be passed on to Repsol. Mr Oscar Fanjul, Repsol's president, is also president of the INH.

The takeover is likely to be trouble-free, and Repsol said yesterday that it would buy out Gas Madrid's other two main shareholders, Banco Pastor and Hidrola, the electricity utility. A formal takeover bid had to be launched, however, as Gas Madrid is a quoted stock.

Between them, Repsol, Pastor and Hidrola have about 96 per cent of the company. Hidrola will probably keep a 10 per cent stake.

The gas market in Spain is in its infancy, say analysts. Demand for gas grew 29 per cent in 1988 and 12 per cent last year.

Noranda hit by weaker commodity prices

By Robert Gibbens in Montreal

NORANDA, Canada's largest resource group, reported sharply lower first-quarter earnings and said the outlook was clouded by weak commodity prices, high interest rates and the high Canadian dollar.

Noranda's net profit was C$59m (US$50.8m) or 26 cents a share on revenues of C$2.4bn, against C$153m or 82 cents on revenues of C$2.2bn a year earlier.

Besides high money costs and reduced exchange gains, prices were lower for nickel, pulp and paper and aluminium, adversely affecting the three main legs of its business – Falconbridge, Noranda Forest and its US aluminium smelting subsidiary.

However, Noranda's growing oil and gas business posted an 85 per cent gain in operating earnings, with higher production and sales.

Quarter sales of $1.6bn at ABB

By William Dullforce in Geneva

ASEA BROWN Boveri, Europe's largest electrical engineering group, recorded a 41 per cent surge in orders during the first quarter of this year against the same period last year, said Mr Percy Barnevik, president and chief executive officer. Incoming orders totalled $7.6bn.

The figure was boosted by the inclusion of new subsidiaries, notably Combustion Engineering of the US, for which ABB paid $1.6bn last year. Excluding acquisitions and sales of companies and exchange rate fluctuations, the increase in the order intake would have been 15 per cent, which signalled a good start for 1990, Mr Barnevik said.

First-quarter sales reached $6.1bn, approximately 39 per cent higher than in the corresponding period last year.

ABB will issue a full three-month interim report on May 29.

EMERGING STOCK MARKETS

IFC analysis reveals Taiwan as top performer

EMERGING stock markets, mainly in Asia and Latin America, have continued overall to outperform those in the leading industrial countries, though there are big variations and high volatility.

A detailed analysis by the International Finance Corporation, a World Bank affiliate concerned with promoting the private sector, shows that its composite index of 20 emerging markets rose 45.7 per cent last year in dollar terms. This compares with a 27.3 per cent rise in the US Standard & Poor's index and a 12.2 per cent increase in the Nikkei index in Japan.

Emerging markets accounted for four of the five top performers – Turkey, Argentina, Taiwan and Thailand – but also four of the five worst performers. The Venezuelan market was last year's worst performer, down 35 per cent, but rose 56 per cent in the first three months of this year, when the Argentine market fell sharply in dollar terms.

Over the five years to the end of 1989, the IFC composite index rose 206 per cent, lagging Tokyo (up 504 per cent, before its recent sharp drop), but ahead of London (up 174 per cent) and Wall Street (up 111 per cent). A separate index for Asia rose 339 per cent between 1984 and 1989, while one for Latin America gained 131 per cent.

The report, the latest in an annual series, highlights the growth in these emerging markets, whose capitalisation rose from $86bn in 1980 to $611bn last year. The share of East Asian markets rose from 16 to 64 per cent.

However, emerging markets still account for just 5 per cent of the global capitalisation of stock markets, though their countries' gross domestic products represent roughly 12 per cent of the total of both developing and developed nations.

The IFC has been closely involved in encouraging developing countries' capital markets, as well as providing a detailed data base.

Sir William Ryrie, the head of IFC, has commented that, while the period of relative market weakness might continue for some months, the underlying strength of these markets should re-emerge. In particular, he has pointed to a continued increase in their investor base, with a growing number of funds in developed countries specialising in these markets; a further growth in both the depth and breadth of these markets in relation to their economies; an expansion of second tier markets; and a shift in geographical focus from the recent heavy concentration on Asia towards Eastern Europe and to some parts of Latin America.

The most remarkable market remains Taiwan, whose market capitalisation last year was $237bn. This was nearly double the total of the year before and almost two-fifths of the total capitalisation of all emerging markets.

Moreover, not only is the price/earnings ratio on the Taiwan market as high as in Japan, but turnover – value traded as a percentage of market capitalisation – is nearly nine times the level in Japan and the US.

Last year value traded in Taiwan as $965.8bn, against just $84.1bn in 1987. This was not only 83 per cent of the total of all deals in emerging markets, but was also three times the level in the London market last year and only just under half the turnover on Wall Street.

The report notes, however, that accounting standards and investor protection in Taiwan are poor and require reform. In this respect the Taiwan market is worse than any other in Asia.

"Emerging Stock Markets Factbook 1990," available from International Finance Corporation and World Bank bookstores for $45.

Peter Riddell

EMERGING MARKETS

Country	Turnover ratios (%)*	Price/earnings ratios†
Taiwan	532	51.2 (40.2)
Korea	101	38.6 (39.5)
Thailand	78	23.1 (12.6)
Malaysia	-	30.7 (24.1)
Greece	-	24.3 (10.6).
India	69	-
US	64	14.1 (11.6)
Japan	61	51.9 (53.9)
UK	42	11.7 (10.4)

*Value traded as a percentage of average 1989 market capitalisation
† Price/earnings ratios 1989 (1988 in brackets)
Source: Emerging Stock Markets Factbook, 1990, International Finance Corporation

Pathé may extend offer for MGM/UA

By Alan Friedman in New York

PATHE COMMUNICATIONS, the Hollywood studio controlled by Mr Giancarlo Parretti, the controversial Italian financier, is likely to extend its $1.2bn tender offer for MGM/UA by about two weeks beyond today's expiry date.

The $20-per-share agreed deal calls for Mr Kirk Kerkorian, the majority owner of MGM/UA, to tender his stock.

Wall Street and Hollywood were sceptical about Mr Parretti's ability to raise the cash needed until Time Warner, the entertainments company, agreed last month to guarantee $650m of loans in exchange for worldwide distribution rights to the United Artists' library and future MGM output.

Aside from the Time/Warner backing, Mr Parretti is understood to be days away from completing the sale of his Renta real estate business in Spain. The Italian financier is also seeking bank finance from Manufacturers Hanover Trust and Bankers Trust in the US, and from Banca Nazionale del Lavoro in Italy.

Recovery by energy side boosts ENI profit

By John Wyles in Rome

STRONG recovery in its energy business helped ENI, Italy's state-owned energy and chemicals group, to a 23 per cent rise in net profits last year.

Consolidated net earnings of L1,613bn ($130.6m) were a group record and a flattering end to the presidency of Mr Franco Reviglio, whose term of office expired last October.

His successor, Mr Gabriele Cagliari, said on Friday that profits growth had come largely from the improved performance of the energy business, after a fall in this sector's profits in 1988.

Group revenues, including those attributable from ENI's 40 per cent of the Enimont joint chemicals venture, rose by 11 per cent, while the gross operating margin increased by 17 per cent to L7,209bn.

Amortisation costs rose from L3,654bn to L4,011bn, while net indebtedness climbed by L1,336bn to L15,849bn, but a rise in net capital to L14,516bn improved Eni's debt-equity ratio from 1:14 to 1:1.09.

Alitalia dives to L151bn loss and suspends payout

By Haig Simonian in Milan

ALITALIA, Italy's state-owned airline, dived into a L151bn ($12.2m) loss last year against net profits of L52.5bn in 1988, in spite of a 13.7 per cent rise in turnover to L4,009bn at parent company level.

The company has suspended the dividend on its saving shares and preferred shares, on which it made payments of L80 and L50 a share last year, while once again cancelling the dividend to holders of its ordinary shares.

The troubled transport group, which is still awaiting the appointment of a new chairman to replace Mr Carlo Verri who died in November, blamed the drop in profits on strikes and poor weather, which severely disrupted its services in the first half of the year.

INTERNATIONAL COMPANIES AND FINANCE

Stora builds its muscle in the Community

The Swedish group's Feldmühle deal makes it an EC giant, writes Robert Taylor

FRIDAY's DM4bn ($2.4bn) acquisition by Stora, Europe's biggest pulp and paper company, of Feldmühle Nobel, the West German engineering and forest products group, represents a decisive stage in the aggressive strategy that the Swedish-owned company has been pursuing over the past six years.

Its avowed purpose is to prepare itself, through acquisitions and restructuring, to confront both the developments in the forest products industry and the reality of the new single-market Europe.

Stora will be by far the largest paper and paperboard producer inside the European Community and, as a result of its purchase of Feldmühle, it claims to be the fourth biggest company in the industry worldwide after Stone, Georgia Pacific, and International Paper, the American giants.

At a stroke Stora has doubled in size. Like other companies in Sweden dominated by the Wallenberg dynasty, Stora has made a hardheaded decision to join the EC to survive and grow.

The company's breakthrough into West Germany in what is possibly the largest foreign corporate takeover in the country since the Second World War is bound to raise some eyebrows. It is already suggested that Stora will waste little time in divesting itself of Feldmühle's non-forestry interests in defence materials and steel to concentrate on its primary objective.

Bo Berggren: transformed Stora through acquisition

Many observers will remember what the company did with the purchase of Swedish Match, when it decided to sell off that enterprise's consumer products division last November for SKr4bn ($656m) to concentrate on integrating its packaging and paper activities.

The Stora-Feldmühle deal is seen by Mr Bo Berggren, Stora's chief executive, as a "natural merger," bringing together Stora's strengths in pulp and newsprint production with Feldmühle's concentration in coated magazine paper, newsprint and fine paper.

There is a hope of "significant synergies" as a result of the acquisition in the blend of their industrial structures, distribution, capital expenditure, research and development and wholesale operations.

The speed of change in Sweden's oldest company, which celebrated its 700th birthday two years ago, has been rapid since Mr Berggren took his post in April 1984.

Before his arrival, the company enjoyed a reputation for being solid, traditional and rather dull as a fading jewel in the crown of the Wallenberg industrial empire, though it did have the good fortune to divest itself of its interests in steel and mining in 1978 just before those industries fell into crisis.

Within months of taking office, Mr Berggren decided what Stora's objectives should be to increase its market share in the forestry industry and establish a better balance of products with less dependency on pulp, which is very vulnerable to price fluctuations. This was to be achieved primarily through acquisitions.

These started in the Swedish base, where the industry has gone through a large-scale restructuring and greater concentration of ownership. In September 1984 Stora bought the packaging paper producer Billerud for SKr3.6bn, making the company the biggest pulp and paper producer in Europe.

Two years later Stora made a SKr5.8bn acquisition of Papyrus, in Sweden's biggest merger until then. This was beaten in March 1988 by the SKr5.9bn purchase of Swedish Match, the world's leading match producer.

The European strategy has become more apparent in the past three years, starting in September 1987 with the purchase of 25 per cent of the shares in De Forenede Papirfabrikker, Denmark's leading fine paper producer. Stora acquired the rest of the company last December.

Stora began to look tentatively at European growth some time before that. In the early 1970s Stora started to co-operate with Feldmühle. Then the two companies jointly worked together at Hylte Bruks' mill, producing newsprint from recycled paper; at Norrsundet, where they both operated a sulphate pulp mill; and in marketing operations in eastern Europe.

As a result of the Billerud purchase, Stora became involved in Celbi, a subsidiary jointly owned with the Portuguese Government producing pulp.

At the end of last year Mr Berggren declared: "If Sweden will not be a member of the EC, Stora must be."

Less than two months ago he launched the company's spring offensive. In alliance with Kymmene, the Finnish forest products group, Stora bought Chapelle Darblay, France's leading but troubled newsprint and magazine paper producer for FFr1.32bn ($234m).

That acquisition particularly pleased Stora, for in 1982 it had made an abortive attempt to buy the French company in alliance with Tampella, another Finnish company. Now it has managed the more ambitious capture of Feldmühle.

Three years ago the marriage between Sweden's Asea and the Swiss engineering group Brown Boveri set the pace for the emergence of pan-European co-operation. Stora is following, leaving its two big domestic rivals – SCA and MoDo – far behind.

THE RISE OF STORA 1985-1989

	1985	1986	1987	1988	1989
Profits (SKrbn)	1.1	1.3	2.5	3.7	3.9
Turnover (SKrbn)	13.0	13.2	20.4	34.2	42
Employees	17,700	17,200	21,530	54,014	53,250

UK COMPANY NEWS IN BRIEF

ABBEYCREST has allotted 5.7m shares to satisfy deferred consideration of £8m due to vendors of Gallery Jewellers. Following that Mr M Macintosh owns 1.7m Abbeycrest shares (7.4 per cent) and Mr C Dear, a director, holds 5.48m (23.5 per cent).

ACSIS GROUP is to pay £2.5m as further and final consideration for IMC Europe and £2.6m for Richmond Designs. It will also pay a further £140,686 to the vendors of Richmond Miller and yet further payment for this acquisition may become due.

ALPHAMERIC rights issue has been taken up in respect of 48.24m shares or 87.2 per cent of the issue.

BLUEBIRD TOYS: qualifying shareholders for the £5.93m 12 per cent convertible unsecured loan stock 2005 have applied for £1.09m nominal of stock (18.33 per cent). The balance of £4.84m nominal is to be taken up by the sub-underwriters.

BRENT CHEMICALS has acquired Sandon Flexographic Printing Rollers for an initial £3.3m cash plus £2.3m payable on the first anniversary. The acquisition consolidates Brent's position as a supplier to the printing pre-press services industry and adds Sandon's exports to Europe, North America and the Far East.

EMBASSY PROPERTY Group has sold four properties for some £7.25m and has purchased for £3.3m a portfolio of six properties, the majority income producing.

EVERED'S acquisition of Civil and Marine Holdings is not being referred to the Monopolies Commission.

GRAND CENTRAL Investment Holdings' wholly-owned subsidiary GCIH Property has entered into an option agreement with Mr Sia Leng Yuen to acquire 2.3m ordinary shares in SAIL (22.2 per cent of the issued capital). SAIL is a Singapore-listed company engaged in the manufacture and distribution of chocolates, cookies and pralines which are marketed under various brand names.

GREAT UNIVERSAL STORES has bought in 25,000 A non-voting ordinary at 890p per share.

HILLSDOWN HOLDINGS chairman told AGM that as far as 1990 was concerned, obviously Hillsdown was not immune from the current difficult UK economic climate. However, early results for the current year were encouraging and he looked forward to another successful year of growth and progress.

KEYSTONE INVESTMENT Company: net asset value was 450p at March 31, against 416p a year earlier and 471p on September 30. Net revenue was higher at £1.02m (£400,000). Earnings per share were 7.15p (2.79p). The interim dividend is raised to 4p (3p).

INTERNATIONAL CAPITAL MARKETS

CORPORATE BOND DEFAULTS

Bleak outlook for investors forecast

CREDIT ANALYSIS has long influenced and underpinned capital flows by international borrowers and investors alike. Friday's downgrading of Citicorp by Standard & Poor's, the international rating agency, was a controversial reminder of how important accurate credit judgments are to informed investment decisions.

A report published this week by Moody's Investors Service examines US corporate bond defaults and default rates last year to provide investors with guidelines on the relationship between historical default rates and credit rating categories. Although the report is confined to the US bond market, it is relevant for international investors that have become increasingly concerned with evaluating securities on the basis of the credit quality and leverage of the borrower.

The study draws several conclusions:

● The absolute number of defaults climbed to 20-year highs in 1989 as 52 rated corporate issuers defaulted on long-term debt obligations, against the previous high of 33 defaults during 1986. In addition, 14 unrated corporate issuers defaulted. A total of $11.8bn of debt was affected.

● The default rate for speculative-grade companies rose to 5.6 per cent, above the 20-year average of 3.6 per cent.

● Defaults so far this year are in line with last year's rate. Eleven US companies have defaulted on interest payments, four have filed for bankruptcy and are expected to miss interest payments and three have informed bond holders they are in distress.

● Earlier research which indicated that the probability of default rose dramatically for lower-quality issuers was confirmed. The 1989 default rate for Baa-rated issuers was 0.5 per cent, compared with 2.7 per cent for Ba-rated issuers and 8.4 per cent for B-rated issuers.

The relationship whereby progressively lower-rated companies are more likely to default on their obligations was found to hold on average throughout the 20-year period studied by Moody's. During the period, an average of 3.6 per cent of speculative-grade issuers defaulted within one year, compared with 0.07 per cent of investment-grade issuers.

● The sharp rise in 1989 defaults parallels the proportionately steep rise in the number of issuers in the higher-risk B and Caa rating categories. Moody's says this was the result of a secular decline in the fundamental credit quality of US companies over the last few years. Further, according to the ratings distribution of speculative-grade bonds, the junk bond market is riskier now than in the past.

Moody's argues that increased takeover activity intended to maximise shareholder wealth – often at the expense of bondholders – spurred an enormous change of debt for equity in recent years. A number of defaults included companies whose borrowings exceeded the debt servicing ability of their asset values and cash flows.

In addition, tighter lending standards contributed to the number of defaults by severely limiting the availability of new credit to high-risk borrowers.

The report offers little comfort to investors, saying that the factors precipitating US defaults last year are expected to continue in the near term. Highly leveraged companies face the prospect of continued down-turns in some real estate markets as well as slower growth in consumer spending and capital expenditures.

Tighter credit rationing by banks and institutional investors is expected to continue at a time when an increasing number of junk bonds, deferred interest securities, bank loans and bridge loans will be coming due for refinancing.

Moody's not only predicts that corporate default rates will remain well above average this year and in the foreseeable future, but also says they may increase.

The relatively recent emergence of speculative-grade bonds that either delay the payment of cash interest or promise to compensate bondholders with a higher coupon if the bond's credit standing declines is seen as a development which only enhances the uncertainty of repayment. The shallowness of existing debt protection leaves issuers of these securities with little or no room for management error.

Moody's suggests that current conditions require that issuers have reliable access to liquidity to make certain they meet their refinancing needs.

Andrew Freeman

INTERNATIONAL BANK LENDING

Opting for security and simplicity

THE LONG-standing virtues of simplicity and security are reasserting themselves as banks reassess their strategies towards international lending.

Banks are not only reacting to the perception that too many of their loans in the 1980s mergers and acquisitions boom may have been less than prudent. More fundamentally, in many countries, higher interest rates are putting bank margins and capital under pressure and worsening the business outlook for their corporate customers.

In many banks, final responsibility for making credit decisions has moved up the hierarchy. Senior officials are often uneasy at the sophisticated structures which became common in the late 1980s and are not as driven by the deal-making imperative that guides their more specialised juniors.

Corporate lending may still be permissible, but only if debt levels remain conservative. For the favourite corporate credits – as the good reception to a recent credit for Rhône Poulenc shows – banks will still make efforts, amid signs that banking relationships are reasserting themselves to some extent over the transactions-based banking that predominated in the late 1980s.

Any buy-out or acquisition finance must involve lots of equity, as in the Saks Fifth Avenue acquisition, for which Manufacturers Hanover is providing $750m of senior debt.

Where possible, banks are looking for extra security. Aircraft financing is likely to remain a favourite – until the second-hand market for airliners takes a dive. On this basis too, project finance may be acceptable, provided again there is significant equity.

Two financings for projects in France were announced last week. The larger is a limited recourse project financing for Aluminium Dunkerque, a specially-formed company sponsored by Pechiney in which it has a small equity stake. The financing, to build an aluminium smelter in the French port by the middle of 1992, will total $965m, of which $680m will be senior debt.

Chase Investment Bank and Crédit Lyonnais are jointly mandated to raise the senior debt. It will carry a final maturity of 2005, although the actual maturity will depend on cash flow, with repayments expected to begin in March 1993. According to the limited information the arrangers are prepared to release prior to a meeting of banks this week, the interest margin will be either ⅝ percentage point or ¾, depending on outstandings.

The other is a FFr1.88bn financing for the construction, start-up and working capital of a newsprint mill project in Golbey, France. Norske Skogindustrier, which controls most of Norway's newsprint production, mandated Banque Nationale de Paris to arrange the loans for the FFr2.8bn project. It will include FFr900m of equity.

A FFr1.75bn limited recourse term facility with a completion guarantee will mature in 2001, with repayments starting in mid-1993. It will carry interest margins of between ⅜ and 1 percentage point depending on performance and utilisation. The commitment fee will be ⅛ per cent, stepping up to ⅜ when drawings become available. A FFr120m working capital facility will have a five-year final maturity and a margin of either ½ or ⅝.

Still with project finance, five banks joined Swiss Bank in the previously reported £135m project financing for the Lakeland Power project, the first for an independent power station in the UK. US corporate credits are appearing with greater frequency in the international markets.

Credit Suisse First Boston launched into syndication a $150m committed revolving credit for McCormick & Co, the US spices group, together with an uncommitted competitive bid facility for the same amount. The three-year credit carries a commitment fee of 12½ basis points and an interest margin of 22½ basis points.

If more than half is used, there is a 5 basis point utility fee. Another US corporate credit for Times-Mirror, the Los Angeles-based publishing group, was increased after oversubscription to $150m from the original $100m, according to arranger National Westminster.

After signing a $100m three-year corporate credit for Air New Zealand, carrying a 40 basis point margin, NatWest also launched a 12-year $60m tax-spared deal for Air India to finance an Airbus purchase. It carries the guarantee of the Indian Government.

Stephen Fidler

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Japan Fin.Corp.♦	150	2000	10	9¾	101¼	Bk.of Tokyo Cap.Mkts.	9.551
Pearl Street(q)‡♦	152	2002	2	(q)	99.65	Goldman Sachs	-
Daiwa Overseas Finance♦	67	2000	10	10	102	Morgan Stanley Int.	9.679
CANADIAN DOLLARS							
IBM Canada♦(c)	150	1995	5	13½	101¾	CSFB	13.002
CIBC(London)♦(g)	100	1993	3	14	101.96	Wood Gundy	13.172
Toronto Dominion Bank♦	100	1992	2	14⅛	101.85	ScotiaMcleod Inc.	13.016
AUSTRALIAN DOLLARS							
Shell Australia♦	100	1995	5	15¼	101.80	Hambros Bank	14.717
ANZ Banking Group Ltd♦	50	1992	2	16	101.95	Fay, Richwhite(UK) Ltd	14.804
D-MARKS							
World Bank♦(f)	750	2000	10	8¾	99⅞	Deutsche Bank	8.769
Halifax Building Soc.‡♦	300	1995	5	(j)	100¼	WestLB	-
OKB(m)‡♦	300	1995	5	(m)	100.15	CSFB Effectenbank	-
SWISS FRANCS							
ALSK-CGER♦★★	75	1993	-	8	100⅞	Kredietbank(Suisse)	7.833
World Bank♦	200	1997	-	7½	101½	SBC	7.220
D.B Fin.NV Curacao♦	100	1995	-	7½	101¼	Deutsche Bk.(Suisse)	7.194
LKB Baden Wuerttemberg♦	100	1995	-	7½	101⅜	Credit Suisse	7.163
Rabo Bank Nederland♦	100	1995	-	7½	101.50	UBS	7.133
FRENCH FRANCS							
Interfinance Credit National♦	500	1993	3	10¼	101	Banque Paribas	9.849
SNCF♦(d)	1.25bn	1997	7	9¼	99.30	CCF	9.595
STERLING							
Cheltenham & Gloucester(l)♦	75	1992	2	15⅝	101.15	JP Morgan Secs.	14.919
LIRE							
General Electric Corp.♦	130bn	1993	3	13	101.50	B.Naz. Del Lavoro	12.371
ECUs							
Kingdom of Spain♦(a)	500	1995	5	10¾	100.20	BBV	10.686
Korea Ex-Im Bank♦(e)	150	1995	5	11	101⅝	Merrill Lynch Int.	10.565
IMI Bank Int.♦	100	1994	4	10¾	101⅜	Bankers Trust Int.	10.313
YEN							
Postipankki♦	5bn	1991	1	11½	101⅛	New Japan Secs.	10.260
Heller Finance♦†	10bn	1995	5	(b)	101.15	Goldman Sachs	-
GE Capital Corp♦	20bn	1993	3	7⅝	101⅜	DKB Int.	7.100
Asian Development Bank♦	20bn	2000	10	7¼	101¾	IBJ Int.	7.001
Altus Fin♦	5bn	1993	3	7 9/16	101⅜	Sumitomo Fin.Int.	7.038
Kansallis Osaki Pankki(h)	4bn	1992	2	10.45	100⅝	DKB Int.	10.090
Deutsche Bk.Fin.NV(m)♦	5bn	1996	6	7	101⅞	Mitsui Trust Int.	6.690
Christiana BK.OG Kredit(l)♦	10bn	1993	3	7½	101.31	Nomura Int.	7.000
LUXEMBOURG FRANCS							
Bacob Overseas Ltd★★♦	300	1993	3	10⅛	101.85	Banque UCL S.A.	9.389
TNT Express Fin.BV★★♦	300	1995	5	10⅜	101.95	BGL	9.597
Unibank.AS★★♦(o)	300	1993	3	10⅛	102	BGL	9.330
Credito Romagnolo★★♦	300	1993	3	10⅛	101.80	Paribas	9.409
Pabelfima★★♦(k)	(k)	1995	5	10⅛	102	KBL	9.603
Varde Bk★★♦	300	1993	3	10¼	101	KBL	9.649
Genfinance★★♦(p)	300	1997	7	10	101.95	BGL	9.605

♦Final terms. †Floating rate note. ★★Private placement. a)Domestic issue. b)6-month Libor. c)Increasing from C$100. d)Increased from FFr1bn. Fungible after 90 days with existing FFr750m issue. e)Put and call after 3 years at par. f)Fungible with existing DM500m issue from 11 May 1990. Payment date 10 May 1990. g)Increased from C$75m. h)Currency-linked redemption. i)Payment date May 22, 1990 giving a long first coupon. j)Paying interest at 1/16% above 6-month Libor. k)Launched in two tranches of 300m. l)Short first coupon to August 21, 1990, then anually from May 21, 1991. m)Payment date 23 March giving short first and last coupon periods. n)Callable at par once only on 29 May 1993. 6-month Libor -15bp. o)Second tranche. p)Third tranche. q)Issue launched in three tranches of $106.4m, $38m and $7.8m. 6-month Libor + ⅛. Note: Yields are calculated on AIBD basis.

Bank drops Campeau suit after C$80m payment

By Robert Gibbens in Montreal

NATIONAL Bank of Canada has agreed to drop a C$50m (US$42.9m) suit against entrepreneur Mr Robert Campeau and return Campeau Corp shares and other securities to a family holding company, in return for a C$80m loan payment.

Last January National became the largest single shareholder in Campeau, the publicly traded holding company owning most of Mr Campeau's real estate and troubled retail empire. It seized 35 per cent of the Campeau Corp shares put up by Mr Campeau as collateral for a C$150m personal loan from National.

Under the agreement National will collect the $80m from Mr Campeau in two instalments by January 31 1991. How he would pay has not been made clear.

However, with the return of the securities, technically he would become majority owner of Campeau once more.

The bank will still face a write off of $70m plus interest over two years on the loan to Mr Campeau. Also actual receipt of the $80m is conditional on the success of a broad restructuring of the Campeau empire now being negotiated.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	228.2	0.0	290.0	16,475.5
Prev	830.0	0.0	0.0	9,922.9
Other	1,228.5	36.6	805.5	5,318.3
Prev	2,060.3	0.0	278.0	4,311.3
Secondary Market				
US$	11,344.7	604.0	2,947.0	8,114.6
Prev	9,112.2	724.7	2,773.1	5,003.5
Other	19,616.6	666.1	4,565.2	30,405.2
Prev	20,207.4	569.8	4,494.6	29,855.7

	Cedel	Euroclear	Total
US$	13,203.8	27,001.2	40,205.0
Prev	9,909.9	18,256.5	28,166.4
Other	25,145.1	37,496.9	62,642.0
Prev	27,024.0	34,752.1	61,776.1

Week to April 26, 1990 Source: AIBD

DIARY DATES

Trade fairs and exhibitions: UK

Current
International Confectionery Exhibition (01-252 2885) (until May 1) — **Olympia**

May 1-3
International Fast Food Show (01-940 2244). — **Wembley Conference Centre**

May 2-4
London Secretary Show (01-868 4466) — **Olympia**

May 3-13
International Philatelic Exhibition – STAMPWORLDLONDON (01-251 5040) — **Alexandra Palace, London**

May 11-13
Spring National Franchise Exhibition (01-727 1929) — **Olympia**

May 13-17
Interior Design International Exhibition (01-868 4499) — **Earls Court**

May 15-17
International Fresh Produce Fair & International Chilled Food Fair (01-727 1929) — **NEC, Birmingham**

Overseas exhibitions

May 1-4
International Leather Processing and Machinery Exhibition - KORLEATHER (01-236 2299) — **Seoul**

May 2-9
Hanover Fair - INDUSTRY (01-668 9541) — **Hanover**

May 4-8
International Woodworking Machinery Trade Fair - DREMA (0223 233952) — **Poznan**

May 7-13
International Consumer Goods Fair (01-836 5219) — **Plovdiv**

May 15-18
International Lighting, Equipment, Fixtures, Fittings & Technology Show (01-486 1951) — **Hong Kong**

May 19-27
International Spring Fair (01-639 7285) — **Luxembourg**

Business and management conferences

April 30
The Energy Business Centre: The defence and offshore oil and gas industries – opportunities for business and technology co-operation (04884 412) — **Royal Overseas League, London**

May 1-2
IChartac: The 1990 banking and securities conference: The challenge of Europe - can London survive the changes? (0908 668833) — **London Marriott Hotel**

May 3
CBI Conferences: The Visual Connection (01-379 7400) — **Centre Point, London**

May 3
Tolley Conferences: The Law and Practice of Bids and Mergers (01-680 5682) — **London Press Centre**

May 9-11
ESOMAR: Countdown to 1992: Which issues at stake? Which strategies in the Single Market? Which needs in research and consultancy? (Amsterdam +31-20-664-2141) — **Brussels**

May 13-16
Giles Communications Inc: International Privatization Congress (Canada (306) 347-7770) — **Saskatoon**

May 14-15
Insurance and Reinsurance Research Group: Reinsurance accounting (01-236 2175) — **Kensington Close Hotel, London**

May 14-15
Acquisitions Monthly: Strategies for buying and selling unquoted companies – a practical approach (01-823 8740) — **Le Meridien Hotel, London**

May 15-16
Enterprise Events: Finance 90 – New directions for challenging times (01-940 2244) — **Olympia 2**

May 18
IBC Technical Services: Environmental economics (01-486 5844) — **Portman Inter-Continental, London**

May 21-22
Financial Times Conferences: The Seventh European and Petroleum Gas Conference (01-925 2323) — **Amsterdam**

May 21
CBI Conferences/RICS: Property as a corporate resource (01-379 7400) — **Centre Point, London**

May 21-22
Financial Times Conferences: European transport in the 90s (01-925 2323) — **Hotel Inter-Continental, London**

May 23-24
Chicago Association of Business Economists: Financial outlook (Chicago 312 875 0044) — **Chicago**

May 23-24
Financial Times Conferences: Manufacturing strategies for the 90s (01-925 2323) — **Metropole Hotel, Birmingham**

May 24
ESC: Tax constraints on international business – a review of anti-avoidance provisions (0536 204224) — **London**

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

PARLIAMENTARY

Today

Commons: Progress on remaining stages of the Environment Protection Bill.

Lords: National Health Service and Community Care Bill, committee.

Aviation and Maritime Security Bill, committee.

Select committees: Public Accounts: subject, fire protection at main storage depots. Witness: Sir Michael Quinlan. (Room 15, 4.30 p.m.)

Televising of proceedings of the House: subject, review of the experiment. Witnesses: Chairmen's panel and Commons Committee on Television. (Room 8, 5 p.m.)

Tomorrow

Commons: Finance Bill, second reading.

Lords: Law Reform (Miscellaneous Provisions) (Scotland) Bill, committee.

Motion to approve Northern Ireland (Emergency Provisions) Act (Amendment) Order.

Select committee: Defence: subject, defence estimates. Witness: Mr Tom King, Defence Secretary. (Room 15, 10.30 a.m.)

Wednesday

Commons: Completion of the Environmental Protection Bill.

Lords Amendments to the Pensions (Miscellaneous Provisions) Bill.

Lords: Debate on Channel Tunnel road and rail links.

Question to Government on costs of the proposed Westminster and Chelsea Hospital.

Select committees: Defence: subject, defence estimates. Witnesses: MoD officials. (Room 16, 10.30 a.m.)

Foreign Affairs: subject, Foreign Office and Overseas Development expenditure. Witnesses: Foreign Office officials. (Room 6, 10.30 a.m.)

Welsh Affairs: subject, supply of starter homes in Wales. Witness: Mr Ian Grist, Welsh Office Minister. (Room 8, 10.30 a.m.)

Trade and Industry: subject, trade with EFTA. Witness: Dr Helen Wallace, Royal Institute of International Affairs. (Room 15, 10.45 a.m.)

Education, Science and Arts: subject, science policy and the European dimension. Witnesses: Committee of Vice-Chancellors and Principals. (Room 18, 4.15 p.m.)

Employment: subject, departmental estimates 1990-91. Witnesses: Department of Employment officials. (Room 8, 4.25 p.m.)

Home Affairs: subject, police co-operation in the European Community. Witnesses: Home Office officials. (Room 15, 4.15 p.m.)

Transport: subject, urban public transport, the light rail option. Witness: CBI. (Room 17, 4.15 p.m.)

Thursday

Commons: Australian Constitution (Public Record Copy) Bill, further progress.

Debate on EC documents on education and training.

Opposed private business from 7 p.m.

Lords: National Health Service and Community Care Bill, committee.

Motion on Fishing Vessels (Acquisition and Improvement) Grants Scheme.

Friday

Commons: Private members' bills.

FINANCIAL

TODAY

COMPANY MEETINGS-
Braime (T.F & J.H.), Registered Office, Hunslet Road, Leeds, 3.15
Summer International, The Cumberland Hotel, Marble Arch, W., 10.00
Telecomputing, Westwood Country Hotel, Boars Hill, Oxford, 10.00

BOARD MEETINGS-
Finals:
ASB Barnett Kinnings
Banlox
Blackland Oil
Commercial Bank of the Near East
Fotkos
Futura
Intercare
Lilley
Moss Bros.
Optim
Riva
S & U Stores
Spong
Tootal
Video Store
Wensum
Interims:
Anglo-Park
Barbican Hldgs.
Lowland Inv.
National Home Loans
Rentaminster

DIVIDEND & INTEREST PAYMENTS-
Acatos 0.7p
Alexon 5% Prf. 1.75p
Alliance Tst. 25p
Do. 4% Prf. 1.4p
Do. 4¼% Prf. 1.4875p
Do. 5% Prf. 1.75p
Arley Hldgs. 11% Prf. 5.5p
Armour Tst. 10½% Uns. Ln. 91/96 5.25pc
Atwoods (Finance) 8½p Gtd. Prf. 4.25p
Banco Latinoamericano De Export SA Flg. Rate Nts. 1990 $474.6
Banco de Santander £1.05
Bank of Montreal Flg. Rate Sers. 9 $210.14
Bankers Inv. Tst. 10½% Deb. 2016 5.25pc
Batleys 10% Prf. 5p
Bimec Inds. 8.5% Cnv. Uns. Ln. 1991 4.25pc
Blacks Leisure 10% Prf. 5p
Blackwood Hodge 4.7% Prf. 2.35p
Black (Peter) 0.77p
Blagden Inds. 4.9p
Blundell-Permoglaze Hldgs. 7¼% Uns. Ln. 90/95 3.625pc
British-American Tobacco 6% 2nd Prf. 2.1p
Brixton Est. 6¼% 1st Mtg. Deb. 86/91 3.125pc
Brown & Tawse 7% Prf. 2.45p
Burmah Oil 8% Prf. 2.8p
Do. 7½% Prf. 2.5375p
Do. 6% Prf. 2.1p
Do. 6% 2nd Prf. 2.1p
Cambridge Water 1.75p
Canadian Pacific 28cts
Cantors 7½% Prf. 2.625p
Capital & Counties 5¾% Cnv. Prf. 2.875p
Central Independent Television 21p
Chemical Banking Corp. Flg. Rate Nts. 1999 $75.11
Chemring Cnv. Prf. 3p
Do. 4.9% Prf. 2.45p
Cookson 1.225p
Cooper (Alan) 4.5p
Cowan de Groot 10½% Prf. 5.25p
Dares Estates 1p
Dow Chemical 65cts
Dundee & London Inv. Tst. 5% Prf. 1.75p
ERF (Hldgs) 10% Prf. 5p
Estates Property Inv. 10% 1st Mtg. 2011 5pc
Do. 7¾% Uns. Ln. 89/92 3.875pc
Estates & General Invs. 6% Prf. 3p
Evans of Leeds 11% 1st Mtg. 2025 5.5pc
Finland (Republic of) Flg. Rate Nts. 1990 $428.73
First National Finance Corp. 10% Uns. Ln. 1992 5pc
First Scottish American Tst. 14p
Foreign & Colonial Inv. Tst. 7% Uns. Ln. 88/93 3.5pc
Guildhall Property 6% Prf. 2.1p
Haynes Publishing 4.5p
Heavitree Brewery 11½% Prf. 5.75p
Howden Grp. 7¾% Deb. 86/91 3.875pc
Do. 8¼% Deb. 86/91 4.125pc
Imperial Chemical Industries 34p
Intereurope Technology Services 2p
Jackson (William) 7½% Prf. 2.625p
Johnson Matthey 8½% Mtg. 85/85 4.25pc
Kingfisher 8½% Cnv. Uns. Ln. 2000 4.25pc
Kleinwort Development Fund 2.51p
LASMO Oil Production Units 14.1046p
Land Securities 6% 1st Mtg. 88/93 3pc
Do. 7¼% 1st Mtg. 91/96 3.625pc
Latham (James) 8% Prf. 4p
London American Ventures Tst. 3½% Deb. 1.75pc
London Merchant Securities 7¾% Uns. Ln. 2000/05 3.875pc
Lookers 4.2p
Lowe (Robert H.) 6½% 1st Prf. 2.275p
Do. 87.5% Prf. 4.375p

Lowe's Companies 13cts
Macanie (London) 7½% Uns. Ln. 86/91 3.75pc
Do. 7¾% Uns. Ln. 86/91 3.875pc
Maunders (John) 2.3p
Mayne Nickless 20cts
McAlpine (Alfred) 9% Prf. 4.5p
Newarthill 6.775% Prf. 3.3875p
[illegible]
Do. 4.9% "A" 2.45p
Do. 4.9% "B" 2.45p
Northern Rock Bldg. Society Flg. Rate Nts. [illegible]
Nova Scotia (Province of) 16¾% Ln. 2011 8.375pc
PPG Hodgson Kenyon Intl. 1.2p
PHH Corp. 29cts
Paragon Communications 3p
Paribas French Inv. Tst. 0.9p
Parkfield 4.5095p
Peel Hldgs. 10% Prf. 2.5p
Do. 9¾% 1st Mtg. 2011 4.9375pc
Peel South East 10% 1st Mtg. 2020 5pc
Do. 11.625% 1st Mtg. 2018 5.8125pc
Do. 12.5% 1st Mtg. 2015/20 6.25pc
Portsmouth & Sunderland Newspapers 8% Prf. 2.8p
Do. 10.5% 2nd Prf. 5.25p
Property Company of London 1.5p
Racal Elects. 7% Cnv. Uns. Ln. 08/14 3.5pc
Ransomes 4.2493p
Renishaw 2p
Rockware 7.25% Cnv. 2nd Prf. 3.625p
Royal Bank of Canada Flg. Rate Debs. 2005 $73.16
SCE Corp. 64cts
SEP Industrial 0.6p
Scottish Eastern Inv. Tst. 2.35p
Scottish Inv. Tst. 4% Deb. 2pc
Do. 5% Deb. 2.5pc
Scottish & Newcastle Brews. 4.6% Prf. 2.3p
Do. 6.425% Prf. 3.2125p
Seagram Distillers 12¾% Deb. 2012 6.1875pc
TR City of London Tst. 10¼% Deb. 2020 5.125pc
TR High Income Tst. 1.4p
Templeton Emerging Mkts. 1% Uns. Ln. 2001 0.5pc
Texaco International Financial Corp. 4pc
Toronto-Dominion 19cts
Triplevest 10.975p
Trusthouse Forte 6.25% 1st Mtg. 85/90 3.125pc
Do. 7.25% 1st Mtg. 88/91 3.625pc
Do. 10.5% Mtg. Deb. 91/96 5.25pc
Do. 9.1% Uns. Ln. 95/2000 4.55pc
Vaux 7% Prf. 2.45p
Do. 4½% A Prf. 1.575p
Do. 6½% A Prf. 2.275p
WPP 4.125p
Western Mining Corp. 13cts
Westminster & Country Props. 8% Uns. Ln. 89/94 4pc
Westpool Inv. Tst. 5% Cnv. Uns. Ln. 89/94 2.5pc
Wyndham 2p
Young Group 5.2p

TOMORROW

COMPANY MEETINGS-
Admiral Computing, 52 St.John Street, Smithfield, E.C., 12.00
Candover Invs., The Howard Hotel, Temple Place, W.C., 12.00
Fleming Mercantile Inv. Tst., 25 Copthall Avenue, E.C., 12.00
Mersey Docks & Harbour, Maritime Museum, Albert Dock, Liverpool, 12.00
STC, 20 Aldermanbury Square, E.C., 11.30

BOARD MEETINGS-
Finals:
Apollo Watch Products
BDA Hldgs.
Beattie (James)
Cargo Control
Conrad Continental
Fitzwilton
London & Overseas Freighters
Interims:
Ashley
Drayton Asia Tst.
Tate & Lyle

DIVIDEND & INTEREST PAYMENTS-
AMEC 6.5p Cnv. Prf. 3.25p
APV 3.15% Prf. 1.575p
Do. 4.55% Prf. 2.275p
Do. 8.25% Prf. 2.8875p
American Info. Tech. Corp. 79cts
American Telephone & Telegraph 33cts
BET 4½% 2nd Deb. 2.25pc
BTP 3.75p
Bardon 2.5p
Bell Atlantic 118 cts
Bellsouth Corp. 67cts
British Inv. Tst. 5¼% Prf. 1.8375p
British Mohair 6% Prf. 1995 2.1p
British Shoe Corp. Hldgs. 6½% 3rd Prf. 2.275p
Dunedin Worldwide Inv. Tst. 3½% Prf. 1.75p
ELF UK 12¼% Uns. Ln. 1991 6.125pc
Edinburgh Inv. Tst. 7½% Deb. 1995 3.75pc
Exchequer 3% Gas 90/95 1.5pc
Export Development Corp. 10⅝% Nts. 5.3125pc
Gentinance NV 11.31% Ln. 2007 5.655pc
Glaxo 7¾% Uns. Ln. 85/95 3.875pc
Hardys & Hansons 5% 1st Prf. 1.75p
Do. 4% 1st Mtg. Deb. 2pc
Intl. Stock Exchange of UK & Rep. of Ir. 10⅛% Mtg. Deb. 2016 5.0625pc
Lamont Hldgs. 6% Prf. 1.05p
Do. 5.6% 2nd Prf. 2.8p
Do. 10% 3rd Prf. 5p
Lewis (John) Properties 8¼% Mtg. Deb. 93/98 4.125pc
Lincoln National Corp. 65cts
Lloyds Chemists 3.75p
M. & G. Extra Yield Fund 7.2p
Marshalls 10% Prf. 5p
Merchants Tst. 4% Perp. Deb. 2pc
NYNEX 114cts
[illegible] 85cts
Norwich Corp. 3% Deb. 1.5pc
Nottingham Corp. 3% (Irrd) 1.5pc
Parkland Textile 3.15% Prf. 1.575p
Pentos 4½% Prf. 1.575p
Pochin's 8p
Reuters Hldgs. 2.4p
Sheafbank Property Tst. 7½% Prf. 2.625p
Do. 6% Prf. 3p
Trielus 20% Prf. 1.75p
Union Intl. 2.45p
Watney, Mann & Truman 7⅛ Deb. 87/92 3.5625pc

Do. 5½% Uns. Ln. 2.75pc
Do. 8⅛% Uns. Ln. 4.0625pc
Whitbread & Co. 4½% 1st Prf. 1.575p
Do. 3rd Prf. 2.1p
Young & Co's Brewery 7¼% 1st Mtg. Deb. 86/91 3.625pc

WEDNESDAY MAY 2

COMPANY MEETINGS-
Cadbury Schweppes, Royal Lancaster Hotel, W., 12.00
Cairn Energy, Cairn House, 61 Dublin Street, Edinburgh, 12.30
EBC, Imperial Hotel, St.Davids, Exeter, 12.00
Forwell, 4 Broadgate, E.C., 12.00
Gleeat, The National Farmers Union, Springfields, Spalding, Lincolnshire, 12.00
General Accident, Head Office, Pitheavlis, Perth, 10.00
Linread, 75 Harborne Road, Birmingham, 12.00
Molins, Barber Surgeons Hall, Monkwell Square, E.C., 12.15
Nichols (J.N.) (Vimto), Ledson Road, Wythenshawe, Manchester, 11.00
Pentland, The Pentland Centre, Lakeside, Finchley, N., 10.00
Servomex, Buxted Park Hotel, Buxted, Uckfield, E.Sussex, 12.30
Sykes-Pickavant, Clifton Arms Hotel, Lytham-St-Annes, 12.00
TI Group, Glaziers Hall, S.E., 12.00
Third Mile Inv., 68 Wilson Street, E.C., 12.00
Unilever, Plaisterers Hall, E.C., 11.00
Wassall, Barber Surgeons Hall, Monkwell Square, E.C., 11.30
Worcester Group, Diglis, Worcester, 1.00

BOARD MEETINGS-
Finals:
BLP
Europa Minerals
Spear (J.W.)
Interims:
Kwik Save
Leeds
Multitrust
Royal Bank of Scotland

DIVIDEND & INTEREST PAYMENTS-
Anglo American Industrial Corp 5.625% Prf. 1.30139p
Fleming Mercantile Inv. Tst. 3.9p
Summer Intl. 0.5p

THURSDAY MAY 3

COMPANY MEETINGS-
Arncliffe Hldgs., Foliffoot Hotel, Pannal Road, Harrogate, 5.00
Bostrom, Swallow Hotel, Eagle Drive, Northampton, 12.00
Carbo, Ramada Renaissance Hotel, Manchester, 11.30
Clayform Properties, 24 Bruton Street, Mayfair, W., 10.30
MTM, Brewers Hall, Aldermanbury Square, E.C., 11.30
Ramco Oil Services, 9 Bridge Street, Aberdeen, 12.00
Richardsons Westgarth, Eastgate Court, Guildford, 11.00
Wates City of London Properties, Vintners Hall, Upper Thames Street, E.C., 10.30

BOARD MEETINGS-
Finals:
Beck (Henry)
Davies & Newman
Propeller
Rathbone Bros.
Worth Inv. Tst.
Interims:
Bellway
Glasgow Income Tst.
PWS Hldgs.
Wellcome

DIVIDEND & INTEREST PAYMENTS-
Anglo American Gold Inv. 139.37929p
CR (Hldgs) 0.4p
Isotron 1.05p
Pacific Dunlop 9.5cts
Paterson Zochonis 2.05p
Do. "A" NV 2.05p
STC 7.25p
USDC Inv. Tst. 2.85p

FRIDAY MAY 4

COMPANY MEETINGS-
Bridgend, Great Eastern Hotel, Liverpool Street, E.C., 11.00
Church & Co., The Northampton Moat House, Silver Street, Northampton, 12.30
Delaney, 226 Hagley Road, Edgbaston, Birmingham, 12.30
Emess, Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 11.00
Greggs, Gosforth Park Hotel, High Gosforth Park, Newcastle upon Tyne, 11.45
Low & Bonar, Bonar House, Faraday Street, Dundee, 12.00
MTL Instruments, Power Court, Luton, Bedfordshire, 4.00
Sherwood Group, Donington Thistle Hotel, Castle Donington, Derby, 1.00

BOARD MEETINGS-
Finals:
BMSS
Delyn Packaging
Guinness Mahon
Interims:
Cronite

DIVIDEND & INTEREST PAYMENTS-
Allied Leisure 1.1p
Anglia Television 6.4p
Automagic 2.25p
Braime (T.F. & J.H.) 5.5p
Do. "A" NV 5.5p
Bryant 1.4p
Dalts 10¾% Deb. 96/99 5.375pc
Eteco Hldgs. 2.3p
Expamet Intl. 6.2p
Frogmore Estates 2.8p
GC Flooring & Furnishings 0.9p
Hall Engineering 5.34p
Harmony Gold Mining 11.04547p
Kalon 0.8p
MAI 1.4p
National Westminster Bank 11.375p
New Zealand 11¼% 2008 6.75pc
TLS Range 1.8p

SATURDAY MAY 5
DIVIDEND & INTEREST PAYMENTS-
Credit National 13½% Gtd. Nts. 1993 6.75pc

SUNDAY MAY 6
DIVIDEND & INTEREST PAYMENTS-
Courtaulds 6% 2nd Prf. 2.1p
Do. 6½% Uns. Ln. 94/96 3.25pc
Do. 7¼% Uns. Ln. 94/96 3.625pc

CONSTRUCTION

Refurbishing Bath's Assembly Rooms

WICKENS CONSTRUCTION has won over £23m worth of contracts.

Projects include the £2m refurbishment of the Assembly Rooms, Bath, following the partial collapse of the ballroom ceiling in 1987. When it re-opens in spring 1991, Wickens will have completed renovation of intricate plasterwork, fibrous plaster, decorative detail and mechanical and electrical work on this historic building.

Other awards include Phases 10 and 11, (subject to planning), of the University of Surrey's Research Park, bringing the potential contract value to £10m.

A £7m contract for the conversion of the old Portsmouth Workhouse into 129 flats and houses for the elderly and low income families represents one of Wickens biggest redevelopment projects. This is a joint venture between Portsmouth and Southlands Housing Associations, the Department of the Environment, the Housing Corporation and Wickens Developments.

Superstore

Tesco has awarded **LESSER DESIGN & BUILD** an £11m contract to build a superstore in Guildford, Surrey. Work has started and the 46-week contract is due for completion by the end of 1990. The 61,000 sq ft superstore will have parking for 611 cars.

Major alterations for Enfield school

The **TRY GROUP** has won contracts totalling more than £15m. Largest of the batch, at £8.1m, is at Aylward School in Enfield where the company is to carry out major alterations and extensions, and build a leisure block and sports hall. The contract, for the London Borough of Enfield, is scheduled for completion in August.

Try Construction has also been given the go-ahead for a £2.5m phase of the £35m Uxbridge Business Park. The work includes a two-storey office block together with its immediate external works.

Try Build has won contracts valued at £3.28m. They include a two-storey, social services office building in Heston for the London Borough of Hounslow (£865,000), fitting out offices near Heathrow for American Airlines at £1.8m and in the airport itself, a six month maintenance term contract for the CAA.

The company also has an order for works in preparation for the installation of an MR body scanner at St. Mary's Hospital, Paddington (£250,000), further maintenance work at RAF Larkhill, and repairs to roof coverings at Stockwell Hall, Hants for the PSA (£270,000).

Import terminal at West Thurrock

A £14.5m contract to construct a cement import terminal on the Thames at West Thurrock, Essex, has been awarded by Castle Cement to **MOWLEM CIVIL ENGINEERING**, in joint venture with **MOWLEM ENGINEERING**.

The West Thurrock terminal, which is expected to be the largest of its type in Europe, is designed to handle vessels of up to 30,000 dwt and will have a total storage capacity of 40,000 tonnes. It will service markets in South London and South East England. The project involves the construction of four 10,000 tonne slip-formed silos, each 20 metres in diameter and 34 metres high, together with a bagging and palletising plant, workshops, offices, stores and warehouses.

The site is based on old marsh land and all structures are piled.

The plant will be fully automated and the jetty will be upgraded to support an 800 tonne per hour pneumatic offloading system which will be prefabricated and brought in by sea.

Work is scheduled for completion in early 1991.

East Kilbride hotel - leisure complex

HALL & TAWSE GROUP has been awarded a clutch of contracts worth £14.5m.

They include a £4.5m 75-bedroom hotel and leisure complex at East Kilbride for Scottish hotel and timeshare company Craigendarroch.

The company has also been appointed by the Grampian, Castlehill and Langstane housing associations to build housing worth £4.5m. This will be funded by Scottish Homes and the Scottish Development Agency, to provide houses, flats, hostels and a basement car park.

£13m orders awarded to Partington

The Oldham-based **PARTINGTON BUILDING GROUP** has secured contracts worth over £13m.

In Miles Platting, Manchester, the company is carrying out a £1.2m contract for the city council involving major conversions to four-storey flats to form two-storey terraced homes. A number of contracts for local housing associations have started, including a £1.3m development of flats in Longsight, Manchester, for the Arawak Housing Association, a £600,000 order for homes in Rochdale for St Vincents Housing Association, and a £700,000 scheme for the Family Housing Association at Crumpsall, Manchester. At Royton, Oldham, the private housebuilding division, Partington Homes, has started on a £6.7m development of 67 detached houses. In Saddleworth the company is building the first phase of 17 detached homes worth about £4m.

Henry Boot to build by-pass and warehouses

HENRY BOOT has a £4.4m order from Cambridgeshire County Council for the A605 Elton-Chesterton by-pass, involving 6.5km single carriageway, an overbridge and an underpass, with completion by March 1992. Single-storey warehouses, and a library centre, forming the core of Chryston Valley Business Park, are to be built for Strathkelvin DC.

UK COMPANY NEWS

The friendless sector of the stock market

Paul Cheeseright on the growing worries facing the property development companies

DARK omens of further failures among development companies point this week to a further slide in property share prices.

Worries about declining asset values, deepening concern about corporate cashflow and growing fears about the effect of high interest rates on an industry which has been on a credit binge have all conspired to leave the sector friendless.

The FT-Actuaries Property Share Index, which closed last week at 1070.02, has been bumping along near its 1990 low. It has fallen back from an all-time high of 1398.87 in September last year. While the index outperformed the rest of the market in 1988, it lagged behind last year and has continued to trail this year.

There are small companies in the sector with price-earnings ratios of less than two – BDA Holdings on 1.7, Merchant Manufactory Estate on 1.2, Pennant Properties, the rump of the old Country and New Town Properties, on 0.5, and Zurich Group on 1.6, for example.

Land Securities, the sector leader and the largest constituent part of the FT-Actuaries Index, has been trading on a discount of about 45 per cent to its historic net asset value. It has been typical of the large property investment groups, rich in assets, ample of income and with a cashflow which effortlessly outstrips their relatively low gearing.

Retrospectively, it is clear that the direct property market reached its peak at the beginning of 1989. Total returns – a measurement of capital and rental values – have been declining ever since. The stock market has been following the direct market downwards.

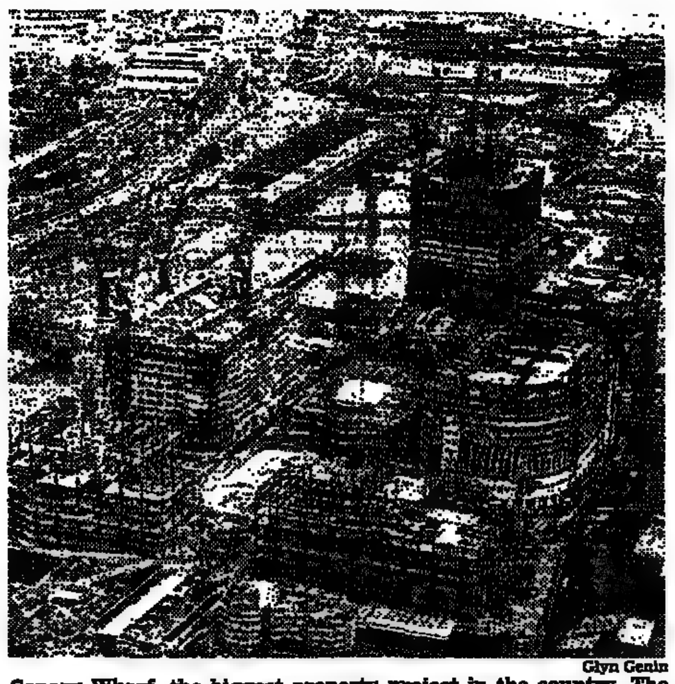
But since last autumn there have been factors which have alarmed the stock market more than declining returns. As yields on property investment have moved steadily outwards, potential buyers have been scared off by the high cost of money. The All Property Average Yield of Hillier Parker, chartered surveyors, moved up 0.3 per cent to 7.8 per cent in the 1989 last quarter.

"Most investment institutions appear to be in a state of paralysis at the moment, as far as direct investment in property is concerned, awaiting some indication of a substantial drop in interest rates before returning to the market," said Mr Jim Clark, chairman of English & Overseas Properties (price earnings ratio 3), in his annual statement last week.

"One of the causes of the buying strike in the investment market has been high bond yields at a time when rental growth prospects are poor. Gilt yields are still rising and the margin for debentures has narrowed slightly, but the gap between debentures and property yields is still over five per cent," observed Kleinwort Benson Securities.

Given that development companies habitually seek to sell properties once completed, the stock market became alarmed when it saw their charges going up because of high interest rates and their likely returns coming down because of slackening prices.

Gloomy forebodings seemed justified when, at the start of 1990, a results mini-season from the quoted chartered surveyors showed that activity was easing, costs were rising and margins were tightening. The middlemen were beginning to feel the pinch and looking at means of rationalisation.



Glyn Genin

Canary Wharf, the biggest property project in the country. The City is worried that the amount of new space coming on to the market dims the prospects of rental growth.

Now Jones Lang Wootton, the largest of the chartered surveyors, has become the first in the sector publicly to announce more than individual redundancies. There are 26, it said yesterday, but "the majority of these fall within support areas of the firm."

The results from Hammerson and Brixton Estate showed how asset growth had been slowing down, while figures from London & Metropolitan and Rockfort among the development companies gave a clue to the heightening pressures of the market place.

The fragility of the property development companies had been underlined in any case when the once-favoured Rosehaugh last month staggered the market with a one-for-one rights issue on terms that suggested deep problems. And the cracks widened when Rush & Tomkins last week called in the receiver and Sheraton Securities, another fallen favourite, continued its efforts to patch together a financial reconstruction.

Against this background, the atmosphere on the stock market has been of worry about which company will be next. "All small property companies are potentially at risk. Some will make it, a lot won't." Charterhouse Tilney, stockbrokers, concluded gloomily.

The fundamental problem facing the development companies "is the lack of secure cashflow [rental income], necessitating the continued disposal of completed developments or development sites in a very weak and illiquid property market," said the analysts at County NatWest WoodMac.

The hand-to-mouth existence of some companies was noted by Smith New Court, stockbrokers, as it observed that "quarter days, when interest is paid, can be crucial in a climate where developers are unable to hang on to developments because of the holding costs."

The effect of all this is to make the prospect of mergers and takeovers a question of relief that there might be one less company to worry about, rather than excitement.

Certainly, the P&O-Chelsfield bid for Laing Properties and the agreed offer from SPP of Sweden for London & Edinburgh Trust – not that either of the targets were in financial difficulty – had none of the impact that would have been characteristic a year ago.

It is not immediately clear when confidence will come back into the property share market. Obviously a fall in interest rates would help. In the likely absence of that for a while, the only other obvious stimulus would seem to be the realisation that the property investment companies – the biggest of which are Land Securities, MEPC, Hammerson, British Land and Slough Estates – are historically cheap in relation to their asset value.

The trick will be in deciding whether they will get any cheaper.

Matthew Clark sells 3% stake in De Kuyper

By Nikki Tait

A SMALL investment in the Dutch cherry brandy and liqueurs group, De Kuyper & Zoon, has yielded a £1.5m profit for Matthew Clark, the UK wine and spirits distributor.

Matthew Clark said it had disposed of a three per cent stake in the privately-owned Dutch company for an estimated Fl 4.9m (£1.58m) in cash. There is a possibility that a further consideration of Fl 1.2m will become payable in the future.

The British company, which has acted as UK agent for De Kuyper since 1810, took its stake in the early 1980s at the Dutch group's invitation.

According to Matthew Clark, De Kuyper has since sold a US business and is currently cash-rich. It has decided to rearrange its structure, hiving off its manufacturing business into a new company called Cupera II, and returning cash to shareholders.

Matthew Clark estimated that the profit on the holding should amount to around £1.5m which, it said, would probably be taken as an exceptional gain. The British company is, however, reinvesting Fl 1.1m in an equivalent shareholding in Cupera.

PA Consulting 60% higher at £13.5m

By Simon Holberton

PA CONSULTING Group, the multi-national management and technology consultancy, increased pre-tax profit by 60 per cent to £13.5m in 1989.

The growth was achieved on turnover ahead 27 per cent to £155.7m (£122.6m).

Mr John Foden, chairman and group chief executive, said the results were the best for 22 years. They were achieved against "tight" conditions in the UK and Australia – PA's two main markets – and balanced by increasing opportunities on the Continent and south-east Asia.

PA has embarked on a strategy to diversify its sources of income primarily through acquisition. It acquired two Scandinavian consultancies last year and Mr Foden said PA was actively searching for further acquisitions on the Continent and in the US. It hopes to become one of the top 10 consultancies in the world by 1993.

"Quality and market share will be the key determinants of success in the consulting market of the 1990s," he said.

PA is 20 per cent owned by its staff. The remaining 80 per cent of its equity is held by the Button Trust.

R&H Hall and IAWS terminate bid talks

By Emma Tucker

TALKS BETWEEN R&H Hall, the Cork-based grain and fuel merchant, and IAWS group, another Irish concern, have been terminated.

Hall rejected the terms of IAWS's takeover proposal as inadequate and in an unsatisfactory form.

The directors of IAWS reacted by saying they were not committed to making an offer on the terms proposed, but would make a further announcement in due course.

The IAWS group, quoted on the USM in Dublin, supplies animal feed ingredients and fertiliser, and is involved in milling and wholefoods. The announcement that talks were on came on April 25, following a 20p rise in R&H Hall's share price.

The proposed terms were 17 IAWS shares for every ten held in R&H Hall plus 50p in cash per Hall share. That valued Hall's shares at I£1.88 each compared with Friday's closing price of I£1.90.

Hall said it believed that such an offer, were it to be made, would not be accepted by shareholders. It added that a takeover by IAWS would not be in the best interests of either its customers or the industry.

IAWS claimed that the scale of operation resulting from the combined group would have brought substantial benefits to the diverse activities comprising feed, fuel, grain and fertiliser, not just in the Republic of Ireland but in Northern Ireland and the UK.

In the year to September 1989, IAWS made a pre-tax profit of I£5.6m (£5.46m) on sales of I£242m. For 1989, Hall's pre-tax profits fell from I£3.1m to I£2.5m on sales of I£230.3m (I£182m).

Maxwell lifts GPG stake to over 20%

Mr Robert Maxwell, the publisher, has raised his stake in GPG, the troubled financial services group, to just over 20 per cent. Via his vehicle, Bishopsgate Investment Trust, which is beneficially owned by Pergamon Holdings, he now owns 64.8m shares.

A bid by Sir Ron Brierley's Industrial Equity (Pacific) for GPG has already been declared unconditional, but Mr Maxwell has claimed that he intends to remain "a long-term investor".

The publisher also announced that his Maxwell Communication Corporation, through its US subsidiary, Macmillan, has bought Rightsoft, a Florida-based computer software publisher. The consideration is around $5m.

JO Walker well down at £56,000

After its setback at midway, JO Walker made a profit of only £7,000 in the second half. That gave £56,000 for the whole of 1989, against £674,000.

The final dividend is being cut from 4.5p to 2p, and follows the reduction in the interim from 3p to 2p.

Turnover of the group, which imports timber, wallboards and plywood, fell from £17.51m to £15.69m. Earnings came through at 5p (54.6p).

Wills dives to £547,000

WILLS GROUP, a specialist marketing group with a small textile division reported pretax profits down from £1.39m to £547,000 for 1989.

This result included £118,000 (£1.01m) from discontinued activities.

There was a profits decline from £535,000 to £405,000 at the interim stage, but the board said it was confident of producing a good level of profitability in the second half and in future.

Turnover in the year showed an advance from £15.87m to £20.13m and the trading profit was up from £791,000 to £981,000. Interest payable increased from £443,000 to £562,000.

Earnings per share were 3.9p (7.8p) before a reduced extraordinary debit of £1.04m (£3.33m). Again there is no dividend – the last payment was in respect of 1987.

Bletchley 24% lower

IN ITS first full year on the USM – the shares were placed in December 1988 – Bletchley Motor Group has been hit by adverse trading conditions and profits before tax were down 24 per cent from £930,000 to £705,000.

Turnover however, rose 17 per cent to £47.8m (£40.9m).

Mr David Dunn, the chairman, said that BMG made a profit in all three divisions – garages, vehicle rentals and contracts – although contracts suffered from increased interest rates.

Mr Dunn added that with the launch of the Rover 400 series, and a new Metro sheduled to be launched in May, he believed that margins would improve.

Earnings per share were down from 25.4p to 15.1p ,while the final dividend recommended is 3.75p to make 7.5p (nil).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Anglo-Park, Barbican, Lowland Investment, National Home Loans, Rentaminster.

Finals- ASB Barnett Kinnings, Benlox, Blackland Oil, Commercial Bank of the Near East, Folkes, Futura, Intercare, Lilley, Moss Bros., Optim, Riva, S & U Stores, Spong, Toosal, Video Store, Wensum.

FUTURE DATES

Interims-

Elandsrand Gold Mining	July 19
Imperial Chemical Inds	July 26
Leeds	May 3
Lex Service	July 27
Lloyds Bank	July 27
Radio City	May 21
Southvaal Hldgs	July 19
Trafalgar House	May 8
Vaal Reefs Exp & Mining	July 19
Western Deep Levels	July 19
Finals-	
Courtaulds	May 23
Davies & Newman	May 3
El Oro Mining & Expln	May 8
Evans of Leeds	July 10
Exploration Co.	May 8
Fitzwilton	May 2
R & V Information Systems	May 8
Yorklyde	May 10

FINANCIAL TIMES STOCK INDICES

	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 20	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs.	74.32	74.61	74.94	75.46	75.34	75.58	84.20	74.32	127.4	49.18
Fixed Interest	84.72	84.48	84.87	85.00	84.89	85.53	92.91	84.48	105.4	50.53
Ordinary	1658.7	1676.1	1683.5	1697.2	1692.7	1712.6	1968.3	1658.7	2008.6	49.4
Gold Mines	221.8	218.2	223.1	232.0	245.2	247.9	378.5	218.2	734.7	43.5
FT-Act All Share	1047.08	1060.85	1065.51	1073.33	1074.10	1086.31	1226.83	1047.08	1238.57	61.92
FT-SE 100	2106.6	2133.6	2143.1	2159.9	2169.2	2187.1	2463.7	2106.6	2463.7	986.9

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AUTHORISED UNIT TRUSTS

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows. ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices April 27

[illegible]

MONTREAL

Closing prices April 27

[illegible]

INDICES

NEW YORK

DOW JONES	Apr 27	Apr 26	Apr 25	Apr 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2645.05	2676.58	2666.44	2654.50	2810.15 (2/1)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	88.77	88.89	89.02	88.92	93.04 (3/1)	88.77 (27/4)	—	—
Transport	1128.20	1139.05	1136.38	1134.07	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.72	206.61	206.30	206.05	236.23 (2/1)	203.72 (27/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2667.39 (2691.89) Low 2639.19 (2650.23)

STANDARD AND POOR'S

	Apr 27	Apr 26	Apr 25	Apr 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	329.11	332.92	332.05	330.36	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	383.34	387.89	386.51	384.45	411.20 (2/1)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	26.59	26.87	26.91	26.82	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	180.74	182.66	182.30	181.51	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	342.64	344.75	344.52	343.89	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	417.98	421.46	420.56	419.19	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Apr 20	Apr 13	Apr 6	year ago (approx.)
Dow Industrial Div. Yield	4.07	-	4.05	3.62

	Apr 25	Apr 18	Apr 11	year ago (approx.)
S & P Industrial div. yield	3.13	3.05	3.04	3.26
S & P Ind. P/E ratio	14.72	15.08	15.13	12.85

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Illinois Power	3,226,600	15	- 1
USX Corp	2,455,100	33¼	- ⅛
Bristol Myers	2,064,300	55¼	+ ⅛
Citicorp	1,767,200	21⅞	- ⅛
Ames Dept Stores	1,679,900	1⅛	+ ⅛
Gen Electric	1,490,200	63⅞	- ⅛
Black & Decker	1,457,000	13⅞	- 2⅛
Philip Morris	1,376,100	41⅛	- ⅛
McDonalds	1,192,900	30⅞	- ⅛
Europe Fund	1,096,500	15	—

TRADING ACTIVITY

† Volume Millions	Apr 27	Apr 26	Apr 25
New York	130.630	142.629	133.480
Amex	8.955	12.278	13.761
NASDAQ	(u)	115.900	121.700
Issues Traded	(u)	1,948	1,961
Rises	(u)	666	785
Falls	(u)	774	663
Unchanged	(u)	508	525
New Highs	(u)	8	10
New Lows	(u)	75	84

CANADA

TORONTO	Apr 27	Apr 26	Apr 25	Apr 24	1990 HIGH	1990 LOW
Metals & Minerals	2899.30	2949.40	2887.50	2851.90	3453.05 (4/1)	2850.80 (23/4)
Composite	3336.10	3369.50	3343.20	3341.00	4009.47 (3/1)	3336.10 (27/4)
MONTREAL Portfolio	1720.25	1740.65	1724.96	1721.42	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr 27	Apr 26	Apr 25	Apr 24	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1456.4	1462.5	(c)	1467.1	1713.7 (12/1)	1456.4 (27/4)
All Mining (1/1/80)	725.5	727.8	(c)	731.8	860.8 (5/1)	725.5 (27/4)
AUSTRIA						
Credit Aktien (30/12/84)	608.93	614.98	611.74	622.92	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6062.10	6084.28	6099.24	6112.67	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	360.14	358.29	352.96	358.97	380.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	579.7	575.2	572.7	575.4	677.3 (23/1)	572.7 (25/4)
FRANCE						
CAC General (31/12/82)	550.66	554.00	553.02	548.43	557.11 (23/4)	482.94 (26/2)
CAC 40 (31/12/87)	2066.27	2072.16	2091.57	2101.40	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	769.30	774.63	779.26	777.30	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2228.6	2265.4	2262.2	2255.7	2434.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1825.52	1827.07	1843.31	1838.53	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2986.33	3009.34	3018.58	3015.84	3067.67 (19/4)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1658.19	1668.23	1679.29	1691.37	1893.10 (22/1)	1658.19 (27/4)
ITALY						
Banca Com. Ital. (1972)	692.32	690.21	(c)	692.92	713.06 (17/4)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	29594.80	29424.58	29564.36	29581.38	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2205.96	2200.10	2200.51	2193.09	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	3530.95	3515.72	3508.83	3526.26	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	(c)	527.06	524.48	622.20 (20/2)	524.48 (24/4)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	252.0	253.5	255.2	255.7	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	191.8	193.3	194.7	195.1	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (2/1/83)	775.02	770.52	771.07	779.10	845.40 (16/3)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	977.33	1011.38	1089.43	1042.22	1160.70 (21/3)	977.33 (27/4)
SINGAPORE						
SES All-Singapore (2/4/75)	404.26	(c)	402.58	405.27	443.34 (6/2)	402.58 (25/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1751.00	1731.0	1692.0	1795.0	2230.0 (16/1)	1692.0 (25/4)
JSE Industrial (28/9/78)	2794.00	2799.0	2794.0	2812.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	749.86	726.11	755.07	768.47	928.82 (4/1)	726.11 (26/4)
SPAIN						
Madrid SE (30/12/85)	272.25	274.80	276.22	275.48	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1161.6	1165.7	1165.8	1165.6	1317.90 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	750.2	749.1	748.3	750.2	787.2 (11/1)	737.6 (27/3)
TAIWAN						
Weighted Price (30/6/66)	9713.78	9517.85	9576.74	9607.73	12495.34 (10/2)	8830.57 (19/4)
THAILAND						
Bangkok SET (30/4/75)	859.36	854.82	847.03	842.04	918.67 (3/1)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	478.8	478.3	477.0	571.0 (4/1)	468.3 (2/4)

**Saturday Apr. 21: Taiwan Weighted Price: 9565.93 Korea Comp Ex. 780.04

a Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday April 27 1990

	Stocks Traded	Closing Prices	Change on day
Isuzu	37.3m	1,105	-40
Osaka Gas	27.4m	635	-15
Nippon Mining	27.2m	981	+25
Suzuki Motor	19.4m	931	-70
Hitachi	18.2m	931	-70
SHI	7.1m	970	-38
Fujitsu	7.1m	1,400	-20
NKK	7.1m	588	-1
Nippon Steel	6.5m	674	0
Showa Denko	6.2m	725	-62

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Managed Cautionary	99.0	104.3	–	47150
Managed Growth	135.7	142.7	–	47151
Managed Opportunity	139.2	146.6	–	47152
NFMC Target Financial	95.5	100.6	–	47153
Pension Funds				
Managed Cautionary	105.2	110.8	–	47154
Managed Growth	139.0	147.0	–	47155
Managed Opportunity	140.7	148.2	–	47156
NFMC Target Mngd Pen	1451.9	1528.4	–	47157

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	City-line
Managed Fund	215.1	226.5	–	43122
Managed Prospect Fund	180.7	190.3	–	43123
Pens Managed	280.1	294.9	–	43128
Pens UK Equity	324.6	341.7	–	43129
Pens Overseas Equity	393.8	414.6	–	43130
Pens Property	142.3	149.8	–	43131
Pens Fixed Interest	165.7	174.5	–	43132
Pens Index Linked	141.1	148.6	–	43133
Pens Deposit	194.3	204.8	–	43134
Harvester & P.R.P.				
UK Equity	141.9	149.4	–	43135
Overseas Equity	141.0	148.5	–	43136
Fixed Interest	113.3	119.3	–	43137
Property	128.4	134.7	–	43138
Index Linked	128.3	135.1	–	43139
Deposit	134.9	142.1	–	43140
Managed	141.2	148.7	–	43141
With Profits	137.6	144.9	–	43142

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	324.9	342.0	–	43163
UK Equity	402.9	424.2	–	43164
Overseas Eq	351.7	370.3	–	43165
Americas	262.4	276.3	–	43166
Far East	364.8	384.0	–	43167
Property	216.3	227.7	–	43168
Fixed Int	204.8	215.6	–	43169
Indexed Gilt	134.6	141.7	–	43170

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
UK Managed Initial	110.8		–	43432
Property Initial	167.7		–	43433
Money Initial	80.1		–	43434
Special Market Initial	130.8		–	43435
Japan Equity Initial	94.2		–	46762
North American Initial	81.9		–	43437
Pacific Initial	76.8		–	43438
Technology Initial	93.0		–	43439
Nat Resources Initial	95.1		–	43440
European Initial	109.3		–	43442
Residential Prop Init	99.6		–	43443
Swiss Equities Initial	37.1		–	43444
Hong Kong Initial	49.9		–	43445
UK High Inc Eq Init	63.8		–	43446
Int Fixed Interest Init	48.3		–	46408
	55.8		–	46409
	110.5		–	46752
	47.7		–	41927
High Performance	74.5	78.5	–	43448
Towerhill Mngd Fd Acc	86.4	91.0	–	43447
YRA Executive Fd	92.5	97.5	–	43449
£ Global Growth Acc	130.5	137.6	–	47160
£ High Income Money Acc	111.4	117.7	–	47161
IM Balanced	54.4		–	47162
H.F. Speculator Fd	149.1		–	43451
PEP Acorn II	119.4		–	46486
PEP Cautionary	81.8		–	47163
AAFS Int Man Fund	115.9		–	46551
Andrews-Green Inv Port	97.2		–	47914
Individual Pension Funds				
UK Equity Acc	208.4	219.9	–	43454
UK Fixed Interest Acc	170.0	179.4	–	43455
Intl Equities Acc	244.3	257.8	–	43456
UK Managed Acc	174.0	183.5	–	43457
Property Acc	211.7	223.4	–	43458
Money Acc	139.0	146.7	–	43459
Special Market Acc	261.5	275.9	–	43460
Japan Equity Acc	191.1	201.6	–	46761
North American Acc	127.2	134.2	–	43462
Pacific Acc	187.7	198.0	–	43463
Technology Acc	153.7	162.2	–	43464
Natural Resources Acc	108.0	114.0	–	43465

Tawry Law & Co – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Royal Life (Unit Link)	112.2	118.1	–	44583
Scot Equitable (Life)	155.7	163.9	–	44584
Scot Equitable (Pens)	120.2	126.5	–	44585
Scot Mutual (Life)	174.0	183.2	–	44586
Scot Mutual (Pens)	160.3	168.8	–	44587
Scot Mutual Venture Fd	113.2	119.2	–	44588
Prudential Holborn	119.2	125.5	–	44589

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

	Bid Price	Offer Price	Yield Gross	City-line
Target Mngd Bond	207.8	218.8	–	44591
Target Mngd Pension	128.4	135.2	–	44592
Albany Life Acc	183.4	193.0	–	41721
Albany Pens Acc	233.7	245.9	–	41722

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

Capital House Fund Mgrs – Contd.

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Managed						
Intl Portfolio	5	61.602	1.633	1.733	–	44025
Managed Currency	5	61.795	1.795	1.890	–	44026

Gartmore Fund Managers International Ltd
PO Box 278, 45 La Motte St., Jersey 0534 27535

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Capital Strategy Fund Ltd (z)						
American Fd	$–		1.653		–	45067
Canadian Fd	C$–		0.8250		1.00	45078
British Fund	£–		2.089		3.00	45071
European Fund	DM–		6.348		–	45075
Eastern European	DM–		5.296		–	40648
Asia Pacific Fd	$–		2.198		–	45069
Japan Fund	Y–		451.4		–	45068
Australasian Fd	A$–		0.3130		1.00	45077

MANAGEMENT SERVICES

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	52.49	53.29	56.93	0.19	41506
(Accum Units)	5	54.02	54.83	58.48	0.19	41507
European Opps	5	77.23	77.53	82.68	0.00	41508
(Accum Units)	5	77.65	77.95	83.14	0.00	46366
Far Eastern Opps	5	129.66	129.74	138.38	0.00	41509
(Accum Units)	5	130.49	130.57	139.26	0.00	41510
Golden Opps	5	36.80	36.80	39.24	0.00	41511
(Accum Units)	5	37.85	37.85	40.36	0.00	46367
Intl Hi-Yield	5	59.24	59.29	63.23	4.35	41512
(Accum Units)	5	64.58	64.63	68.93	4.35	46368
Sanyo Japan Tst	5	62.66	62.66	66.83	0.00	41513
(Accum Units)	5	62.66	62.66	66.83	0.00	41514
Kangaroo	5	29.29	29.29	31.23	1.33	41515
(Accum Units)	5	29.36	29.46	31.41	1.33	46369
[illegible]	5	32.96	33.01	35.20	4.98	41516
(Accum Units)	5	37.61	37.66	40.16	4.98	41517
Tiger	5	146.20	146.20	155.93	0.70	41520
(Accum Units)	5	148.79	148.79	158.69	0.70	41521
UK Hi-Yield	5	41.24	41.24	43.98	5.20	41522
(Accum Units)	5	47.15	47.15	50.28	5.20	46302
UK Opps	5	51.98	54.36	58.13	0.73	41523
(Accum Units)	5	56.64	59.23	63.34	0.73	41524
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	88.25	89.85	95.59	4.00	47962
Timberlake Unit Trust Mngrs Ltd (0900)F						
1 White Hart Yard, London SE1 1NX 01 407 5966						
Portfolio	2	96.58	96.58	99.25	1.19	42679
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250						
4 Hourly Pricing – 12 Noon Historic						
TR American Gwth	5¼	46.97	46.97	50.1	0	41525
TR Eur Sp Sits Acc	5¼	45.58	45.58	48.56	0	41525
TR Eur Sp Sits Inc	5¼	44.69	44.69	47.62	0	41527
TR Far East Opps Inc	5¼	23.3	23.38	24.68	–	41660
TR Far East Opps Acc	5¼	23.3	23.38	24.98	–	41625
TR General Growth	5¼	69.24	69.24	73.65	2.78	41528
TR Global Tech	5¼	71.56	71.56	76.33	0	41529
TR Income Growth	5¼	79.97	79.97	85.07	4.69	41530
TR Income Monthly	5¼	49.68	49.68	52.85	7.63	41531
TR Japan Growth	5¼	78.69	78.69	83.53	0	41532
TR Overseas Growth	5¼	65.71	65.71	70.06	0	41533
TR Smaller Cos	5¼	70.68	70.68	75.19	2.54	41534
TR Special Opps	5¼	81.21	81.21	86.39	3.46	41535
TR Mgd Eq Plan Acc	5¼	32.59	32.59	34.67	2.87	41536
TR Mgd Eq Plan Inc	5¼	30.56	30.56	32.51	2.87	41537
TR Wwide Sp Sit Acc	5¼	36.72	36.72	39.18	0	41538
TR Wwide Sp Sit Inc	5¼	36.69	36.69	39.14	–	41539
TR Pension Portfolio						
TR American Gwth ♦	6	28.28	28.66	30.38	0	[illegible]
TR Eur Sp Sits ♦	6	36.24	36.68	38.88	0	[illegible]
TR General Growth ♦	6	23.02	23.27	24.66	0	46980
TR Global Tech ♦	6	28.34	28.71	30.44	0	[illegible]
TR Income Growth ♦	6	23.36	23.61	25.03	0	[illegible]
TR Japan Growth ♦	6	24.72	24.93	26.43	0	46982
TR Mgd Equity ♦	6	25.00	25.26	26.78	0	46983
TR Overseas Growth ♦	6	28.24	28.60	30.32	0	[illegible]
TR Smaller Cos ♦	6	16.73	16.91	17.93	0	46985
TR Special Opps ♦	6	16.73	16.90	17.92	0	46987
TR Stlg Liquidity ♦	6	25.84	26.29	27.39	0	46986

	Bid Price	Offer Price	Yield Gross	City-line
NM Rothschild Asset Management Ltd				
NC Managed	54.8	58.4xd	3.93	40339
NC Property	191.9	209.7xd	–	41205
J. Rothschild Fund Managers Ltd				
Intl Exempt	142.9	144.4	3.58	40172
Stewart Ivory & Co Ltd				
Saints PPP Apr 2	248.4	261.5	0.00	41422
Closed to new business				
Thornton Unit Managers Ltd				
Unilgec Exempt Apr 17	101.53	107.62xd	3.84	46975
(Accum Units)	100.74	106.46xd	3.84	46976
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1226	1244xd	1.45	47801
TR Exempt Nth Amer	949	962xd	3.38	47802
TR Exempt Pac Basin	854	866xd	0	47803

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Society				
(Investment Mngt M & G Inv Mngt Ltd)				
AA Friendly Sr Apr 12	–	168.1	–	41607
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop Ser 1	299.7	315.5	–	41608
Equity Ser 1	122.9	129.4	–	41609
Prop Acc Ser 2	461.9	486.3	–	41610
Equity Ser 2	142.5	150.1	–	41611
Selective Acc	332.3	349.8	–	41612
Prop Ser 4	362.3	391.4	–	41613
Equity Ser 4	147.1	154.9	–	41614
Man Ser 4	426.2	448.7	–	41620
Fixed Int Ser 4	204.0	214.8	–	41615
Indexed Inv Ser 4	139.7	147.2	–	41616
American Ser 4	312.7	329.2	–	41617
Japan Ser 4	281.9	296.8	–	41619
European Ser 4	129.2	136.0	–	41622
High Inc Ser 4	438.1	461.2	–	41618
Money Ser 4	247.3	260.4	–	41621
Intl Ser 4	112.1	118.1	–	47021
Custodian Ser 4	101.2	106.6	–	47022
Pension Funds				
Property	648.2	682.4	–	41623
Equity	1067.3	1123.5	–	41624
Selective	361.4	380.5	–	41625
Managed	803.6	845.9	–	41626
Security	486.7	512.4	–	41627
Fixed Int	243.5	256.4	–	41628
Indexed	152.0	160.0	–	41632
American	262.1	275.9	–	41630
Japan	296.4	312.0	–	41631
European	190.6	200.7	–	41629

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OTHER UK UNIT TRUSTS

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CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Japan holds key to US bond auctions

QUARTERLY REFUNDING auctions of US Treasury paper take place next month, and the main question will centre on Japanese participation. Japan's life insurance companies had estimated overseas assets of some $17bn last September.

UK clearing bank base lending rate 15 per cent from October 5

About half of this was in US Treasury bonds. Estimates in the market suggest that Japanese institutions, mainly life insurance companies, sold nearly $6bn of US bonds in late March and early April, but regulations governing these companies do not allow trading on the foreign exchanges, and Mr Roger Portnoy, of Thomson Financial Networks, doubts that this money has returned to Japan.

On the other hand banks and other financial institutions have repatriated funds to cover losses on falling Japanese equities and bonds, as books were made up at the end of the financial year.

How much of this US paper will be replaced is open to doubt, partly because higher domestic yields have made yen bonds more attractive. At the February US refunding auctions Japanese institutions took 25-30 per cent of the issue, but it seems unlikely this will be repeated. According to Mr Neil MacKinnon, chief economist, at Yamaichi in London, bond prices typically rise as confidence improves after the February, August and November auctions. On the other hand prices tend to fall both before and after the May auction, although it is not clear why. Both Mr Portnoy and Mr MacKinnon suspect Japanese participation will be low at the auction, because there will be opportunities to buy later at lower prices on the secondary market.

£ IN NEW YORK

Apr.27	Close	Previous Close
£ Spot	1.6315-1.6325	1.6335-1.6345
1 month	0.90-0.89pm	0.90-0.89pm
3 months	2.59-2.56pm	2.58-2.56pm
12 months	9.23-9.13pm	9.22-9.15pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Apr.27	Bank of England Index	Morgan Guaranty Changes %
Sterling	86.7	-24.8
U.S Dollar	68.4	-9.7
Canadian Dollar	105.1	+2.3
Austrian Schilling	110.0	+12.0
Belgian Franc	111.6	-2.1
Danish Krone	111.3	+5.6
[illegible]	[illegible]	[illegible]

STERLING INDEX

CURRENCY RATES

OTHER CURRENCIES

CHICAGO

POUND SPOT- FORWARD AGAINST THE POUND

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.00-4.95cpm 12 month 9.15-9.05cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Spain	106.00 - 106.40	106.20 - 106.30	52-58cdis	-6.21	145-155dis	-5.64
Italy	1227 - 1236	1228 - 1228½	2.30-3.50liredis	-2.82	8.00-10.00dis	-2.92
Norway	6.52 - 6.54½	6.52½ - 6.53	1.90-2.15oredis	-3.72	5.40-6.00dis	-3.49
France	5.61½ - 5.65¾	5.62 - 5.62½	0.54-0.59cdis	-1.20	1.30-1.40dis	-0.96
Sweden	6.09¾ - 6.11½	6.09¾ - 6.10¼	2.50-2.65oredis	-5.06	7.80-8.15dis	-5.22
Japan	158.50 - 159.30	158.75 - 158.85	0.20-0.18ypm	1.43	0.58-0.55pm	1.42
Austria	11.80½ - 11.85½	11.85¼ - 11.85¾	0.10pm-0.30gdis	-0.10	0.10pm-1.00dis	-0.15
Switzerland	1.4545 - 1.4685	1.4565 - 1.4565	0.07-0.11cdis	-0.74	0.16-0.23dis	-0.53
ECU	1.2125 - 1.2225	1.2180 - 1.2190	0.22-0.20cpm	2.07	0.59-0.57pm	1.90

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Apr.27	£	$	DM	Yen	F Fr.	S Fr.	H Fl	Lira	C $	B Fr
£	1	1.637	2.743	259.8	9.200	2.383	3.085	2010	1.904	56.70
$	0.611	1	1.676	158.7	5.620	1.456	1.885	1228	1.163	34.64
DM	0.365	0.597	1	94.71	3.354	0.869	1.125	732.8	0.694	20.67
YEN	3.849	6.301	10.56	1000.	35.41	9.172	11.87	7737	7.329	218.2
F Fr.	1.087	1.779	2.982	282.4	10.	2.590	3.353	2185	2.070	61.63
S Fr.	0.420	0.687	1.151	109.0	3.861	1	1.295	843.5	0.799	23.79
H Fl.	0.324	0.531	0.889	84.21	2.982	0.772	1	651.5	0.617	18.38
Lira	0.498	0.814	1.365	129.3	4.577	1.186	1.535	1000.	0.947	28.21
C $	0.525	0.860	1.441	136.4	4.832	1.252	1.620	1056	1	29.78
B Fr.	1.764	2.887	4.838	458.2	16.23	4.203	5.441	3545	3.358	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

Apr 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	15⅛-14⅞	15⅛-15	15⅛-15¼	15⅝-15½	15⅞-15¾
US Dollar	8¼-8⅛	8¼-8⅛	8⅛-8⅜	8⅞-8⅞	8⅞-8⅞	9⅛-9⅛
Can. Dollar	13-12⅞	13-12¾	13⅛-13	13⅛-13¼	13⅝-13⅛	13⅞-13⅞
D. Guilder	8¼-7⅞	8¼-7⅞	8⅞-8⅛	8⅞-8⅞	8⅞-8⅞	9⅛-9⅛
Sw. Franc	8⅛-8⅛	9⅛-9	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛
Deutschmark	7⅞-7¾	7⅞-7¾	8⅛-7⅞	8⅛-8⅛	8⅝-8⅛	9⅛-9⅛
Fr. Franc	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9⅞-9⅛	10⅛-10⅛
Italian Lira	13-11	10½-9½	11⅛-10⅞	11⅛-11¼	12⅛-11¾	12¼-12⅛
Belgian Franc	10-9⅞	10-9⅞	10-9⅞	10¼-10¼	10⅛-10¼	10⅛-10⅛
Yen	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅞-7⅞	7⅞-7⅞
D.Krone	11⅛-11¼	11⅛-11⅛	11⅛-11	11⅛-10⅞	11⅛-11	11⅛-11
Asian $Sing	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅞-8⅞	9⅛-9⅛

Long term Eurodollars: two years 9⅛-9⅛ per cent; three years 9⅛-9⅛ per cent; four years 9⅛-9⅛ per cent; five years 9⅞-9⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.27) 3 months US dollars		6 months US Dollars	
bid 8¾	offer 8⅞	bid 8⅞	offer 9

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

(4pm)					
Prime rate	10	One month	7.50	Three year	9.05
Broker loan rate	9¾	Two month	7.79	Four year	9.05
Fed.funds	8¼	Three month	8.02	Five year	9.04
Fed.funds at intervention	•	Six month	8.40	Seven year	9.08
		One year	8.54	10-year	9.05
		Two year	8.94	30-year	9.03

Apr.27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.35-7.45	7.80-7.90	7.95-8.10	8.15-8.30	8.55-8.70	8.00
Paris	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9⅞-9⅞	9.50
Zurich	8⅛-8⅛	9⅛-9⅛	-	9⅛-9⅛	-	-
Amsterdam	8.31-8.44	8.30-8.40	-	8.58-8.68	-	-
Tokyo	7⅛-7⅛	7⅛-7⅛	-	7⅞-7⅞	-	-
Milan	11⅛-12¼	11-11¼	-	11⅛-12⅛	-	-
Brussels	8.60	9⅞-10	-	10¼-10¼	-	-
Dublin	10½-10⅝	11⅛-11⅛	11⅛-11⅞	11⅞-12	12⅛-12⅛	-

LONDON MONEY RATES

Apr 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅛	14⅞	15⅛	15⅛	15⅛	15⅞
Interbank Bid	14	14¾	14⅞	15⅛	15⅛	15⅞
Sterling CDs.	-	-	15	15⅛	15½	15⅞
Local Authority Deps.	14¾	14⅞	15	15¼	15½	15⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15½	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15⅛	15⅛	15⅛	15⅞
Finance House Deposits	-	-	15⅛	15⅛	15⅛	15⅞
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	15⅛	-
Dollar CDs.	-	-	8.50	8.67	8.87	9.25
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9⅛	9⅞
SDR Linked Dep. Bid	-	-	9	9⅛	9⅛	9⅞
ECU Linked Dep. Offer	-	-	10⅜	10⅛	10⅞	11⅛
ECU Linked Dep. Bid	-	-	10¼	10⅛	10⅞	11⅛

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills, Average tender rate of discount 14.6200 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 30, 1990. Agreed rates for period April 25 to May 25, 1990, Scheme I: 15.90 p.c., Schemes II & III: 16.57 p.c. Reference rate for period March 1, 1990 to March 30, 1990, Scheme IV&V: 15.311 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from April 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; [illegible]

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	FRIDAY APRIL 27 1990: US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local currency since Dec.29 '89	Gross Div. Yield	THURSDAY APRIL 26 1990: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1990 High	1990 Low	Year ago (approx)
Australia (81)	127.69	-15.7	115.68	113.29	-11.1	6.12	129.82	117.79	114.02	158.31	127.69	135.19
Austria (19)	254.28	+39.6	230.38	222.59	+39.2	1.20	257.00	233.19	224.36	285.63	193.15	123.44
Belgium (61)	146.46	-5.3	132.69	125.15	-7.8	4.65	146.99	133.37	125.79	160.02	132.11	133.58
Canada (120)	130.37	-14.3	118.11	109.84	-14.0	3.63	132.03	119.79	110.95	153.61	130.37	136.73
Denmark (34)	244.63	+1.0	221.62	212.52	-2.0	0.99	244.14	221.52	211.69	260.82	236.69	180.26
Finland (26)	130.18	-2.3	117.94	108.70	-3.9	2.46	130.61	118.51	109.03	152.29	129.99	154.82
France (125)	163.32	+4.7	147.96	144.04	+1.7	2.80	163.36	148.22	144.53	166.43	141.69	120.38
West Germany (94)	128.35	+3.7	116.28	111.81	+2.8	1.97	128.77	116.84	112.60	137.71	122.05	86.55
Hong Kong (48)	123.46	+5.4	111.85	123.50	+5.2	5.04	124.59	113.05	124.59	126.90	112.24	131.42
Ireland (17)	182.50	+0.5	165.34	160.77	-2.4	2.67	183.12	166.15	161.77	198.57	181.49	150.08
Italy (96)	100.42	+2.0	90.97	92.11	-1.2	2.49	99.92	90.66	92.00	103.73	91.85	81.74
Japan (454)	135.25	-31.5	122.53	135.76	-24.3	0.61	134.95	122.44	135.37	197.28	124.40	189.31
Malaysia (36)	207.66	-9.3	188.13	217.21	-8.7	2.49	207.51	188.28	217.22	245.32	207.04	177.93
Mexico (13)	407.87	+25.3	369.51	1253.09	+30.9	0.41	408.51	370.65	1255.06	412.02	324.53	181.64
Netherland (43)	136.10	-5.4	123.30	117.09	-6.7	4.81	136.82	124.14	118.12	145.66	130.43	121.20
New Zealand (17)	60.88	-15.5	55.16	56.30	-12.6	7.79	61.97	56.22	56.88	75.36	60.31	70.83
Norway (24)	219.87	+10.0	199.19	194.80	+8.9	1.61	221.36	200.85	195.97	245.90	198.36	186.68
Singapore (25)	182.45	+3.0	165.29	157.77	+1.7	1.91	181.29	164.49	156.77	199.38	179.70	153.50
South Africa (60)	175.02	-10.9	158.56	155.84	+2.5	3.80	173.80	157.70	154.75	251.39	173.80	141.87
Spain (42)	151.84	-6.9	137.56	122.22	-9.6	4.34	153.01	138.83	122.93	165.19	132.84	153.79
Sweden (35)	186.50	-2.9	168.96	168.41	-4.3	2.39	187.45	170.08	169.20	206.95	173.89	159.17
Switzerland (65)	91.03	-3.2	82.47	82.17	-8.6	2.51	91.28	82.82	82.65	99.12	88.75	75.56
United Kingdom (306)	140.04	-11.8	126.87	126.87	-13.0	5.21	141.66	128.53	128.53	164.31	140.04	148.38
USA (537)	133.11	-7.0	120.59	133.11	-7.0	3.62	134.61	122.14	134.61	145.40	130.61	125.97
Europe (987)	136.62	-4.0	123.77	120.63	-6.0	3.68	137.38	124.65	121.58	146.66	135.57	120.62
Nordic (119)	187.08	-0.2	169.49	159.37	-2.2	1.74	187.54	170.16	159.59	201.89	185.01	155.57
Pacific Basin (660)	134.45	-30.2	121.80	134.23	-23.3	0.95	134.28	121.83	133.93	192.75	124.63	184.69
Euro - Pacific (1647)	135.68	-21.4	122.92	129.27	-17.3	2.06	135.89	123.29	129.51	174.18	130.35	159.09
North America (657)	132.85	-7.4	120.38	131.57	-7.4	3.62	134.36	121.91	133.05	145.78	131.02	126.52
Europe Ex. UK (681)	132.48	+1.1	120.02	116.13	-1.3	2.80	132.77	120.47	116.69	136.21	124.81	103.35
Pacific Ex. Japan (206)	124.18	-8.0	112.50	113.55	-5.3	5.33	125.62	113.97	114.24	139.32	124.18	129.29
World Ex. US (1840)	136.04	-21.0	123.24	129.19	-17.0	2.13	136.28	123.65	129.45	173.77	131.30	158.15
World Ex. UK (2071)	133.37	-17.1	120.83	130.76	-13.9	2.38	133.96	121.55	131.34	162.00	130.80	145.30
World Ex. So. Af. (2317)	133.70	-16.7	121.13	130.17	-14.0	2.63	134.39	121.94	130.86	161.84	131.95	145.59
World Ex. Japan (1923)	134.62	-6.2	121.96	127.72	-6.6	3.71	135.82	123.24	128.94	145.52	134.62	124.85
The World Index (2377)	133.95	-16.7	121.35	130.35	-13.8	2.64	134.63	122.16	131.03	162.05	132.25	145.56

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.55 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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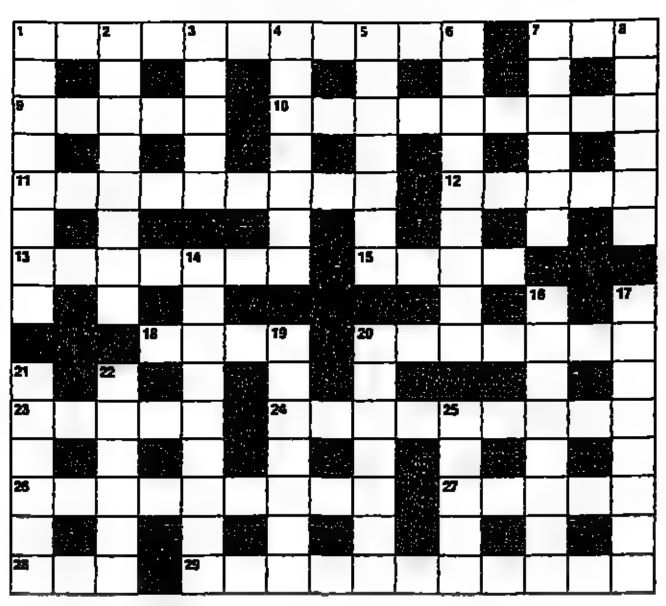
Constituent changes: Deletions: Cerebos Pacific (Singapore)(24/4), Cop.Handelsbank (Denmark)(25/4) and Provinsbanken (Denmark)(25/4). Name changes: Savin to Bodegas Bebidas (Spain) and Std. Telefon Kabel to Alcatel STK (Norway).

CROSSWORD

No.7,226 Set by MUTT



ACROSS

1 Hope to speak – get it off your chest (11)
7 May be an initial charge if it's on the menu (3)
9 Better kind of alfresco shindig (5)
10 Not sleeping in that hat?! (4-5)
11 Mortimers Meadow backs on to my half of the whirlpool (9)
12 Daisy with the neat look (2-3)
13 Strategy for jerks, gripping performance (7)
15 Average little man (4)
18 God had some good intentions (4)
20 P. Duckam offers beauty treatment (7)
23 A bit of a fancy nickname for snarler (5)
24 Scold new manager about being a non-drinker (9)
26 Vicar and lawyer seen going back to building site, let it be known (9)
27 Bore gets lots of practice (5)
28 Letter said to be of some length (3)
29 Jungle beast beheaded after damage to companion, a lady (11)

DOWN

1 Wild yeti captures 15 – outrage (8)
2 Job's reputed attribute: one in ten walk out (8)
3 Fractious sea-monster capsizes ship (5)
4 Advance arranged for son to draw (7)
5 Belly upset? – bad sign (7)
6 A woman doctor the old city editor charmed (9)
7 Many laid low; it's mad (6)
8 Intensify the main points (6)
14 Bad form starting out to drink after being at home for a month (9)
16 "Non-paying guest" possibility artist is turning over in the head (8)
17 Game to race learner into the blue (8)
19 More dapper, the French portrait painter (7)
20 Doing the romp around in Northumberland (7)
21 When to have a shave is a predicament (6)
22 The quarters I have left would make you sniff (6)
25 Have sound system for getting a car for nothing (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 12.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Ivory & Sime (Luxembourg) SA

Midland International Circuit Fund SICAV

Morgan Grenfell UT Mgrs/Deutsche Bank

Nomura Global Fund

Royal Trust Asset Management

Sun Life Global Management Ltd

Touche Remnant (Guernsey) Limited

Wardley Investment Services (Lux) S.A.

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

DM Fd BOPUPs				46170
DM Fd OPUPs	DM9.55	7 27		46171
Yen Fd BOPUPs	57 26			
Yen Fd OPUPs	59 60			
Wardley Investment Services Ltd				
Wardley S E. Asia Tst	$12.09	12 79	0 86	45993
Japanese Warrants	$7 39			42487
Asian Warrants	$8.91	9 46		42480
European Warrants	$9.67	10.24		42481
Wells Fargo U.S. IT Fund				47859
NAV April 26		$9.36		
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1 0099		46024
Xiphias Int ECU		Ecu1 0127		46023
Yamaichi Dynamic Mngt Co SA				46002
Advanced Tech		$21 17		

Money Market Trust Funds

	Gross	Net	Gr Eqv CAR	City-line
CAF Money Management Co Ltd			0732 770114	
48 Pembury Road, Tonbridge TN9 2JD				
Cafcash Deposit Fd	14 76		15 54	–
The COIF Charities Deposit Account			01-588 1815	
2 Fore Street, London EC2Y 5AQ				
Deposit	14 80		15 64	–
Gartmore Money Management Ltd			01-236 1425	
2-3 White Hart Yard, London SE1R 1NX				
Call Fund	14.96	11 67	16 01	–
7-day Fund	14 37	11.21	15 36	–
Special Fund	14.87		16 32	–
Dollar	7.00	5 46	7 23	–

Money Market Bank Accounts

	Gross	Net	Gr Eqv CAR	City-line
Aitken Hume Bank plc			01-638 6070	
30 City Road, EC1Y 2AY				
Treasury Acc	13.80	10.35	14 60	–
Mkt Int Chq £1,000-£4,999	13.50	10 35	14 73	–
Mkt Int Chq £5,000-£49,999	14.00	10 92	14 21	–
Mkt Int Chq £50,000+	14.50	11.31	15 88	–
Allied Trust Bank Ltd			01-629 6802	
97-101 Cannon St, London, EC4N 5AD				
OMNA (£2,001+)	14.70	11 53	16.210	–
HICA (£2,001+)	13.90	10 84	15 156	–
PROMINA (£250,001+)	14 90	11 62	16 349	–
Bank of Ireland High Interest Cheque Acc			01-625 7000	
36 Queen St, EC4R 1BN				
2,000-9,999	13.782	10 750	14 927	–
£10,000+	14.103	11.000	15 283	–
Bank of Scotland			01 601 6746	
38 Threadneedle St, EC2P 2EH				
HH Chq Acc £2,500-£24,999	13 6	10 61	14.85	–
£25,000+	13.6	10 61	14 85	–
Barclays Capital Advantage Account			01-248 9155	
94 St Paul's Churchyard EC4M 8EH				
£10,000+	13.50	10 75	14 92	–
Barclays Prime Account H.I.C.A.				

UNIT TRUST NOTES

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ♦ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p... ♥	76	−2 6
Craig & Rose £1 ♥	810	....
Finlay Pkg 5p.. ♥	55	−1.8
Holt (Jos) 25p ....♥	1308	−0.2

IRISH

Cap 8½% Ln. 1991	£97	...
9pc Cap Ln. 1996..	£93	−0.3
Fin. 13% 97/02...	£111	+0.2
Arnotts	435	−3.5
Carroll (P.J.)....... ♥	150	+0.7
Hall (R. & H.).	190	+11.6
Heiton Hldgs. .... ♥	68	−11.7
IRG	200	...
United Drug	165	...

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons.	39
Amstrad	5½
Aster (BSR).	5¼
BAT.	83
BOC Grp	45
BTR.	36
Barclays..	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit Telecom	25
Cadburys	27
Charter Cons	46
Comm Union	40
Courtaulds	24
Eurotunnel.	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian.	19
GKN	33
Hanson	18
Hawker Sidd	59
ICI	65
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds.	52
Marks & Spencer	17
Midland Bk.	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect.	19
RHM	35
Rank Org Ord	68
Reed Intnl.	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco.	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	19
Wellcome	60

Property	
Brit Land.	32
Control Secs.	5
Land Securities.	44
MEPC	44
Mountleigh.	14

Oils	
Aviva Petlm.	5½
Brit Petroleum	28
Burmah Oil.	52
Conroy Petlm	12
Gaelic Res.	4½
Premier	10
Shell	37
Tuskar Res	20
Ultramar	31

Mines	
Lonrho	32
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,103.9	ANZ $A1	224	-5.1	8.9	8.1	Feb July	1698
2,344.9	Abbey National 10p	179	-4.3	4.2	12.3	Apr Oct	5411
1,382.4	Allied Irish Ord	249	-6.4	3.2	27.11	Dec July	1354
1,504.1	Algemene Fl 10	£12½	-1.5	7.0	2.5	Aug May	1567
30.7	Anglo Irish	77	-1.3	5.8	27.11	Jan Aug	1355
126.9	Ansbacher (H.) 1p	68	-1.4	4.9	12.3	April	1624
1,167.4	Bancaire Cie Fr100	£68¼	-2.8	2.0	9.5	May Mar	2202
4,427.5	Banco Bilbao Viz	£18¼		3.9	6.12	Dec June	–
[illegible]	Banco de Santander	£28¼	+2.3	4.0	31.10	Apr Oct	–
818.1	Bank Ireland Ir£1	245	-5.8	4.8	27.11	July Dec	1360
134.3	Bank Leumi	£19½		–	–	–	1740
23.6	Bank Leumi (U.K.)	345		5.2	26.2	Mar Sep	1740
822.0	Bank Scotland	109	-2.7	5.7	2.10	Nov June	1742
90.5	Do. 9¼pc Irrd Pf	90½	-2.7	13.6	30.10	May Nov	1462
15.7	Bank of Wales	49		7.9	2.10	Nov Jun	1743
5,040.0	Barclays £1	500	-6.7	7.3	12.3	Oct May	1754
7.51	Benchmark 20p	14	-6.7	15.5	9.4	May Oct	1802
49.9	Brown Shipley £1	313	-0.6	4.5	27.11	Jan Aug	1985
72.1	Cater Allen £1	380	-3.6	8.2	27.11	Jan. July	2081
29.3	Chancery	144	-10.6	7.4	27.11	Jan July	2102
454.4	Commerzbk DM10	£20¼	-2.7	3.3	27.5	May	1046
21,858.2	Dai Ichi K Bk Y50	851	-3.5	0.3	4.7	June	3221
8,792.2	Deutsche Bk DM50	£273	-3.9	1.9	11.5	May	2345
139.7	Espirito Santo	£19¼	-0.6	2.3	–	June	5187
298.1	First Nat. Fin. 10p	109	-16.0	9.2	15.1	Mar Aug	2571
48.9	FNFC 6.3pc Cv Pf	101	-14.4	8.3	27.12	July	2570
25,461.9	Fuji Bank Y50	986	-0.6	0.3	4.7	Dec June	1084
101.0	Gerrard & National	265	-3.6	9.3	30.10	June Dec	2686
93.3	Guinness Mahon 10p	144	-1.4	1.9	27.12	Jun Feb	5074
371.3	Hambros 20p	229	-13.3	5.8	11.12	Jan Sep	2812
142.5	Do. 7.5pc Cv Pf	95	-9.5	10.5	12.3	Apr Oct	4388
3,911.0	HK & Shang HK$2.50	45½	-3.2	6.3	14.9	May Sep	–
24.0	Joseph (Leo) £1	455		4.6	11.12	Jan Sept	3060
20.2	King & Shaxson 20p	128	-5.2	9.6	13.11	–	3088
448.5	Kleinwort Benson Grp	348	-4.9	6.1	26.3	May Nov	3102
9,629.2	Kyowa Bank Y50	434	-1.4	0.6		Mar Sept	3049
3,078.8	Lloyds £1	290	-5.3	7.1	26.2	Oct May	3171
27.4	Lon. Scot. Bank 10p	46	-2.1	7.0	29.1	Mar July	4651
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
	For consol Elct. see Kembrey						
13.7	Clearmark 5p	9½	-9.5		9.85	–	2553
2.22	Colorgen Inc. $0.01	18			–	–	2188
25.9	Coloroll 10p	13			27.11	Jan Sep	2191
2.05	Comac Group 5p	32		5.2	25.4	June	2194
48.9	Community Hospital	199	+0.5	3.0	26.3	May Nov	4736
7.99	Co. of Designers 5p	44	-9.8	10.1	29.1	July Apr	2204
36.0	Computer People 5p	268	-1.2	3.0	2.10	Nov Jun	2209
8.57	Cont. Station'y 10p	50	-5.7	9.3	11.12	Jly Feb	2223
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd.

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
567.8	Security Services	518	-1.5	0.8	26.2	Apr Sep	3986
10.5	Select Appointments 5p	49		9.5	11.12	Jan July	3990
29.5	Serco Group 2p	344	-2.0	3.7	12.3	Oct Apr	5012
262.1	Shanks & McEwan 50p	1258	-0.9	2.0	11.12	Dec Aug	4877
5.07	Shaw (Arthur) 10p	67	-6.9	7.6	27.11	Aug Jan	5076
4.91	Sheldon Jones	95	+3.3	6.3	12.3	Apr Sep	4001
4.87	Shiloh	88		3.7	31.10	Dec Jun	4011
45.0	Sidlaw Group	141	-2.8	7.3	12.12	Jan Jul	4017
849.5	Siebe	443	-4.1	3.4	12.2	Mar Oct	4018
[illegible]	[illegible]	77	-4.9	9.0	30.10	Jan July	4030
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

حكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
89	49¾	Xerox	3	6.0	8	1460	51	50½	50½	- ¼
41½	21¾	XTRA	.72	3.2	28	37	22¾	22⅝	22¾	- ¼
32¼	19½	XTRA pf1.94		9.5		9	19¾	19½	19¾	
4⅛	2⅛	Zapata				142	2½	2⅜	2⅜	- ⅛
21⅛	7⅞	ZenithE				732	8⅝	8⅜	8⅜	- ⅛
21½	14	ZenNtl	.84	5.5	5	15	15⅛	15	15⅛	+ ⅛
8⅝	6⅛	Zemex	.90	15.		64	6⅛	6	6	- ⅛
15½	12⅞	Zero s	.40	3.1	12	38	13⅛	13	13	- ⅛
44⅛	27⅞	Zurnin	.76	1.8	18	194	42½	42⅛	42⅛	- ⅛
12⅝	10½	Zweig	1.21e	11.		430	11⅜	11⅛	11⅛	
10	8⅞	ZweigTl	.95	10.		1003	9⅛	9⅛	9⅛	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices April 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PhILD	.14e		[illegible]	11½	d11¼	11¼	- ⅝
Pitway n.60e		18	73	38⅛	38⅛	38⅛	+ ⅛
Pitwy A	.70	12	192	28½	28¼	28½	+ ¼
PlyGem	.12	8	33	7⅝	7½	7⅝	
Presd B		150	3	6⅝	6⅝	6⅝	+ ⅛
Presd A	.10		193	6¼	5⅞	6¼	+ ⅜

NASDAQ NATIONAL MARKET

4pm prices April 27

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Wyman	.80		372	14⅛	13½	14¼	+ ⅛
– X – Y – Z –							
YL Dta		5	325	9½	[illegible]	9½	+ ½
YOMA			3158	19¼	18¾	19	+ ⅛
Xicor			798	2⅝	d 2¼	2⅜	- ⅛
YanEnS	1.14e	11	72	18¾	d18¼	18	+ ½
YelowF	.76	48	942	27½	26⅝	26⅝	- ¼
YorkRs		18	660	11⅛	10⅞	11¼	+ ¼
ZionUt	1.44	12	25	29	27¾	28¼	- ¾

4pm prices April 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	21	AAR	.48	2.3	12	745	21	d20¾	20⅞	–⅛
9¼	8⅛	ACM n	1.01	13.		271	8½	d 8	8	–⅜
11⅝	10⅛	ACMIn	1.26	12.		367	10⅜	10¼	10⅜	+⅛
9⅞	7¼	ACM M	n1.01	13		504	7½	7¼	7½	+⅛
12⅛	11⅜	ACMMM				25	11½	11⅜	11½	+⅛
11½	9⅝	ACM Sc	1.26	13.		709	10	9⅞	9⅞	–⅛
9⅛	8⅛	ACMSp	1.01	12.		647	8⅜	8¼	8¼	–⅛
22⅝	13⅝	AL Lab	.16	.7	20	291	21¾	21⅜	21½	
6⅛	2¼	AM Intl			6	611	2⅝	2⅜	2⅜	–¼
23⅛	12½	AM In pf	2	16		75	12⅝	12½	12⅝	+⅛
107¼	52½	AMR			12	2290	62⅝	61½	61½	–1⅛
24⅞	22⅞	ANR pf	2.12	9.2		1	23⅛	23⅛	23⅛	–½
4⅜	3⅛	ARX				338	3⅛	d 3	3⅛	–⅛
72¾	39	ASA	3a	6.1		328	49⅞	48⅞	48⅞	–⅛
70⅞	53⅝	AbtLab	1.68	2.5	17	2978	68¼	66⅞	67⅛	–¾
17¾	11¼	Abitibi g	.50			12	12¾	12⅝	12⅝	–⅛
13	8⅞	AcmeC	.40	4.3	11	24	9½	9¼	9⅜	
38½	28⅛	Acuson			21	616	34¾	34	34⅛	
16½	13⅛	AdaEx	2.06e	[illegible]		60	15¾	15⅝	15⅝	
15⅞	8⅛	Adobe				445	11½	11⅛	11¼	–⅛
21⅞	18⅞	Adob pf	2.40	11		11	20⅞	20⅝	20⅞	+⅛
10½	6⅞	AMD			18	1028	8¾	8½	8⅝	
35	28¼	AMD pf	3	10.		8	30	30	30	–¼
10⅛	4⅛	Advest	.16	3.4	59	159	5	4¾	4¾	+⅛
62½	45¼	AetnLf	2.76	6.0	8	2588	46½	45½	45⅞	+½
14	9⅞	AhIPb	.24	2.3		223	10⅜	10¼	10¼	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

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A FINANCIAL TIMES SERIES: Part 4

EUROPEAN FINANCE AND INVESTMENT PORTUGAL

A period of intense competition within a single Europe is approaching, in which market forces will reassert themselves, says **Patrick Blum.** To modernise the financial system, two big reforms are looming: reduction of the state's role in the economy, and the introduction of EC-standard banking rules.

Braced for the blast

AFTER FOUR years of heady growth and incipient liberalisation, Portugal is bracing itself for further deregulation to meet the challenge of the 1992 single European market. For financial institutions, which have been at the vanguard of change, it opens up a period of both uncertainty and opportunities.

There is uncertainty especially for the state-owned banks, most of which will be privatised within the next two to three years. No one knows under what conditions privatisations will take place, or how the new privatised institutions will settle down to business after an inevitable period of reorganisation.

The prospect of the financial sector's opening up in the near future to the full blast of European competition, with foreign banks pushing for a greater share of the Portuguese market, is already accelerating the process of change.

Deregulation will offer the better prepared – that is, mostly the private institutions – a unique opportunity to establish themselves as new market leaders. The privatised state-owned banks should nevertheless benefit from greater access to funds. This could give them a chance to improve their capital ratios, and put them on a better footing to face the tougher competitive climate.

If revolution and nationalisation marked the 1970s, and liberalisation the 1980s, then the early 1990s promise to be a period of intense competition, during which the market will reassert itself over state control. "There will be a competition shock," says Mr Miguel Beleza, the Finance Minister.

The financial world is already preparing itself for the shock, and this accounts for the rush of announcements in recent months by several leading banks of major expansion plans. Private investment banks have declared their intention of opening up large retail networks. State-owned commercial banks are reorganising themselves and defending their territory – with a little help from mother state – in advance of privatisation. Foreign banks, meanwhile, complain that their plans for expansion are being held up by the authorities. Some foreign banks are instead seeking a stake in banks being privatised.

The state sector is being reorganised. Two large state groups are being formed, one around the Caixa Geral de Depositos, the giant state-owned savings bank, and the other around Banco de Fomento Exterior, the only real state-owned investment bank, which will remain in state hands. Together they will account for about 40 per cent of the banking sector. An important restructuring of the financial sector is under way, though some bankers feel it is still too timid. But new powerful groups, some Portuguese, others with a strong foreign presence, are slowly emerging.

There is still a long way to go before the doors open on the single market. In theory, Portugal has won two to three extra years beyond 1992 before having to meet all EC requirements for the full liberalisation of markets and financial services. But in practice, pressure is likely to mount very rapidly, shortening the deadline. "The only possibility [for Portugal] is to postpone the coming into force of short-term capital movements. It should not be too difficult to get one year's prolongation, but after that it will be more and more difficult," says Mr Tavares Moreira, the Bank of Portugal governor.

Officials believe that Portugal will meet the challenge, but they admit that it will be tough. Portuguese banks, the bulk of which are still in state hands, are plagued by under-capitalisation, heavy structures, overmanning, and bad debts, though they are improving on all these fronts.

Despite the improvements, the divide between the state-owned banks and the new private banks, in terms of performance, was even more evident last year than at any time since the latter were established in the mid-1980s. The largest state-owned bank, with about three times as many branches as the largest private commercial bank, returned half the profits of the latter. As a broad rule of thumb, Portuguese private banks are more than twice as profitable as their state-owned counterparts. The difference is roughly the same when it comes to capitalisation and solvency ratios.

Many state-owned banks are likely to need an injection of capital, either at the same time as they privatise, or after. This is not deterring potential buyers. The leading Portuguese private investment bank wants to buy one of the state-owned banks to take over its branch network. Foreign banks are also waiting in the wings.

As yet, few Portuguese banks have international networks. If they do, the networks are relatively small. But they recognise the need to develop a greater international presence. This may come through joint ventures or mergers, but the first tentative steps are under way.

None of this will be easy, though the private banks look forward to the new challenges. "We've never thought of operating without competition. Competition is good. We are not frightened by it, we are conscious [of it], but that was the way we started in 1985," says Mr Jorge Jardim Goncalves, president of the Banco Comercial Portugues, the most dynamic of the private sector banks.

In an effort to modernise and streamline the financial system, two major new reforms are looming. The first, which has already partly come into effect, involves reducing the state's role in directly controlling credit. The centralised system of credit controls setting individual ceilings on the amount each bank can lend, is being replaced by indirect monetary controls, though some aspects of the new system have cause confusion about the Government's intentions.

The second aims to bring banking regulations to EC standards. A "white book", to be published in the summer, will set out the legal framework for universal banking, simplify existing highly complex banking legislation and suggest further reforms. It will abolish the legal difference between investment and commercial banks, and para-banking institutions will be classified as credit institutions. "This will be to their advantage, because it will give them a European passport," Mr Moreira says, though many have yet to be convinced.

The economic context is also changing. Economic growth was a sturdy 5.5 per cent last year, the fourth consecutive year when GDP grew by more than 4 per cent. But high growth, low unemployment – officially below 5 per cent – and record investment rates, have encouraged private consumption and imports which have fuelled inflation, which is running at about 13 per cent, more than twice the EC average.

Last year's introduction of tight credit controls was designed to halt the inflationary surge, but despite some improvement in the autumn, inflation has risen again since the beginning of the year, and it remains the Government's biggest single worry. The authorities believe that the recent inflationary upswing was a temporary phenomenon, and that price rises will gradually slow to around 10.5 per cent by the end of the year and to single figures after that. But a resilient budget deficit and a high public debt averaging about 70 per cent of GDP exert an upward pressure on interest rates and inflation.

Strong demand for imports, whether of consumer or capital goods, also kept the trade deficit high – and practically unchanged in volume terms – at a provisional Es978bn ($6.5bn) for 1989, despite a 26 per cent growth in exports.

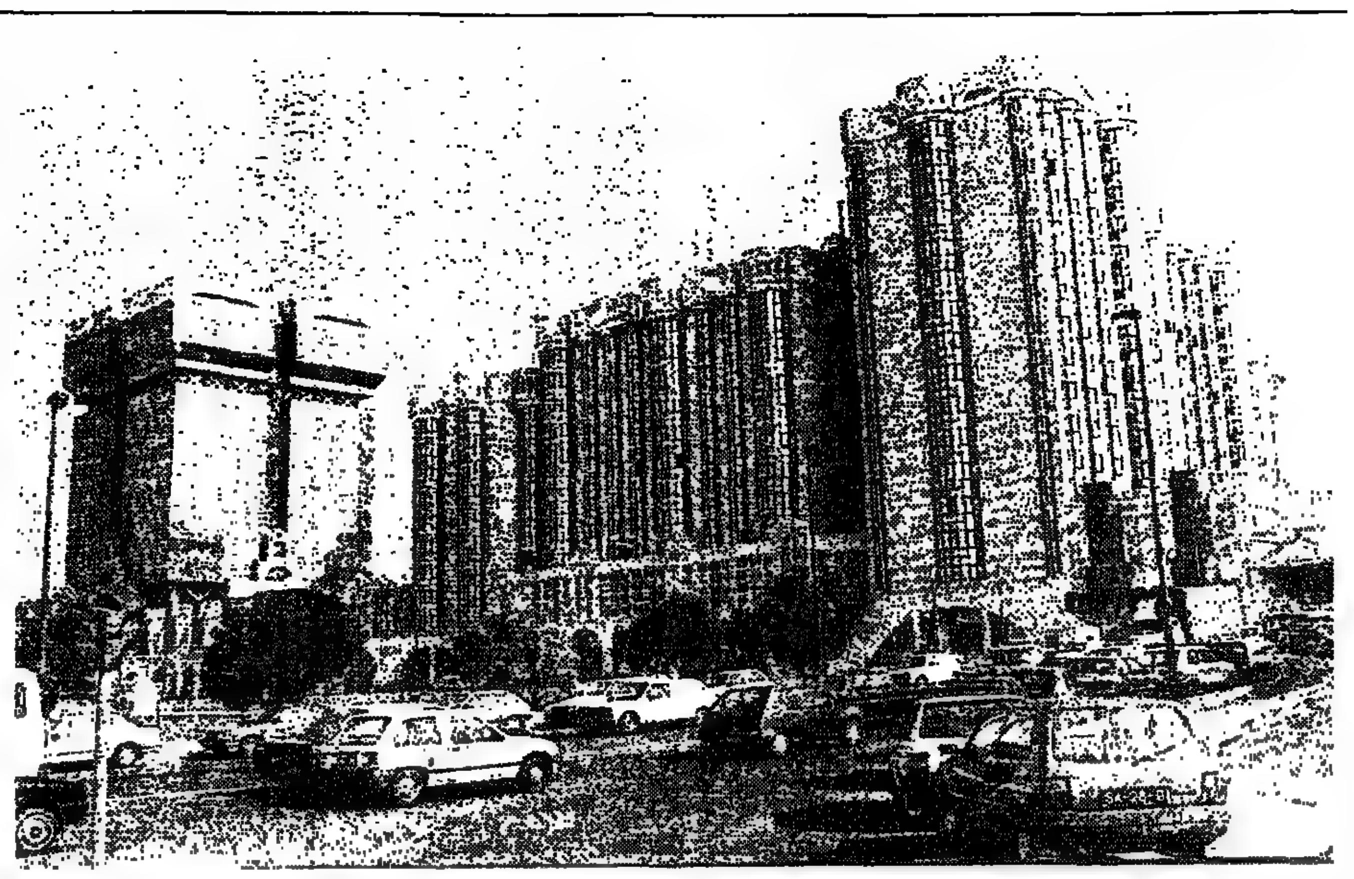
The current account balance registered a provisional $550m deficit, although that was considerably better than 1988 and the original 1989 forecast. Strong capital inflows, including about Es150bn of EC funds, helped to reduce the current account deficit, but not the budget deficit, as Portugal must co-finance EC backed funding for development projects.

On the plus side, foreign capital inflows from tourism and investment boosted central bank reserves, which have reached over $9bn, an all-time high. This enabled Portugal to make further early repayments on its foreign debt, which remained almost unchanged at $17.4bn at the end of November.

The Government intends to maintain its tight monetary policy, despite its unpopularity and growing wage pressures. But political conditions are less favourable now than they were one or two years ago. General elections are due next year, though Mr Beleza says he was not appointed to offer politically expedient solutions. Monetary controls will remain tight, and may even be tightened, if that is necessary to fight inflation, he says.

The inflation gap between Portugal and it's European partners is delaying the escudo's early entry into the European Exchange Rate Mechanism of the EMS, a step that is seen as desirable in Lisbon.

Wages and production costs are edging upwards inexorably, reducing Portugal's traditional advantage as a low-cost producer. The authorities realise that a higher level of skills, greater efficiency and better quality of goods and services will be increasingly important ingredients in the new competitive climate. All of which presents a new challenge for Portugal in its effort to modernise. The battle is only just beginning.



The Amoreiras complex, in Lisbon, designed by Tomas Taveira, was completed in 1985. It consists of several interlinked buildings. There are flats, a shopping centre and offices, many of which are home to financial services and investment companies

IN THIS SURVEY

Pictures: Ashley Ashwood

Editorial production: Martin Davies

The Business Column

Learning to get the best from IT

THE LONGEST and most comprehensive analysis of the influence of the computer on modern business practice is winding down in the US.

Funded by a consortium of companies including American Express and General Motors of the US and British Petroleum and International Computers of the UK, researchers at the Sloan School of Management at the Massachusetts Institute of Technology have spent five years investigating the implications of information technology (IT) for management in the 1990s.

Their findings echo and amplify the results of many contemporary studies on the same subject.

But there has never been such a profound analysis of the ways in which IT can affect business performance for good or ill, nor such a complete prescription of the measures companies must adopt if they are to stay afloat in the uncharted waters of today's fiercely-competitive global marketplace.

"Must" is not mere hyperbole. The Sloan team concludes: "Introducing new information technology will be a competitive necessity in the 1990s rather than a competitive advantage – everyone will be doing it."

Strategic triangle

It emphasises the importance of managing in a co-ordinated fashion the three elements of what MIT calls the "strategic triangle:" business strategy, business structure and information technology. "Senior executives setting strategy, line managers overseeing functional teams and information technology leaders need to develop a common knowledge base and language," it says.

Some would say the most important message of the study – which will be published in the UK by Oxford University Press later this year – is to lay to rest the idea that IT is a go-faster goody that a company can bolt on to the corporate chassis to secure instant advantage.

The opposite is true. "Major information technology implementations are time-consuming and typically difficult," warns the management consultants Ernst & Young, one of the sponsors of the MIT research, in a gloss on the study.*

The theme "the rich will get richer" runs through the findings. IT in the hands of competent managers can exert powerful positive leverage. In incompetent hands it can be disastrous. "With new information technology," the Sloan researchers say, "well-managed companies tend to get better while poorly-managed companies tend to get worse."

Integral part

There is perhaps an analogy with racing car technology. IT is no longer a wing tacked on behind to keep the rear wheels on the track around the bends. Now it has become an integral part of the chassis; performance is a feature of the "ground effect" produced by the whole car.

Studies of the kind undertaken by the Sloan researchers have in the past often begged the question of how an organisation can best take advantage of the benefits of IT without stumbling over the pitfalls. Anyone looking for a quick "take home" lesson in how to apply IT for competitive advantage will be disappointed. The Sloan study makes it clear that there is no simple route to success but that to ignore the potential of IT is an easy route to failure.

It underlines the effect that computer-integrated manufacturing (CIM), where all aspects of a business are co-ordinated by computer, will have on product cycles.

Time-to-market will increasingly become central to success and CIM will be a key to maintaining product quality while setting the pace. It may not be immediately obvious that this is as applicable to the products of financial services companies as to those of traditional metal-bashers.

Tomorrow's successful companies are already embedding IT in their corporate structures and developing a culture that rewards long-term efforts in technology.

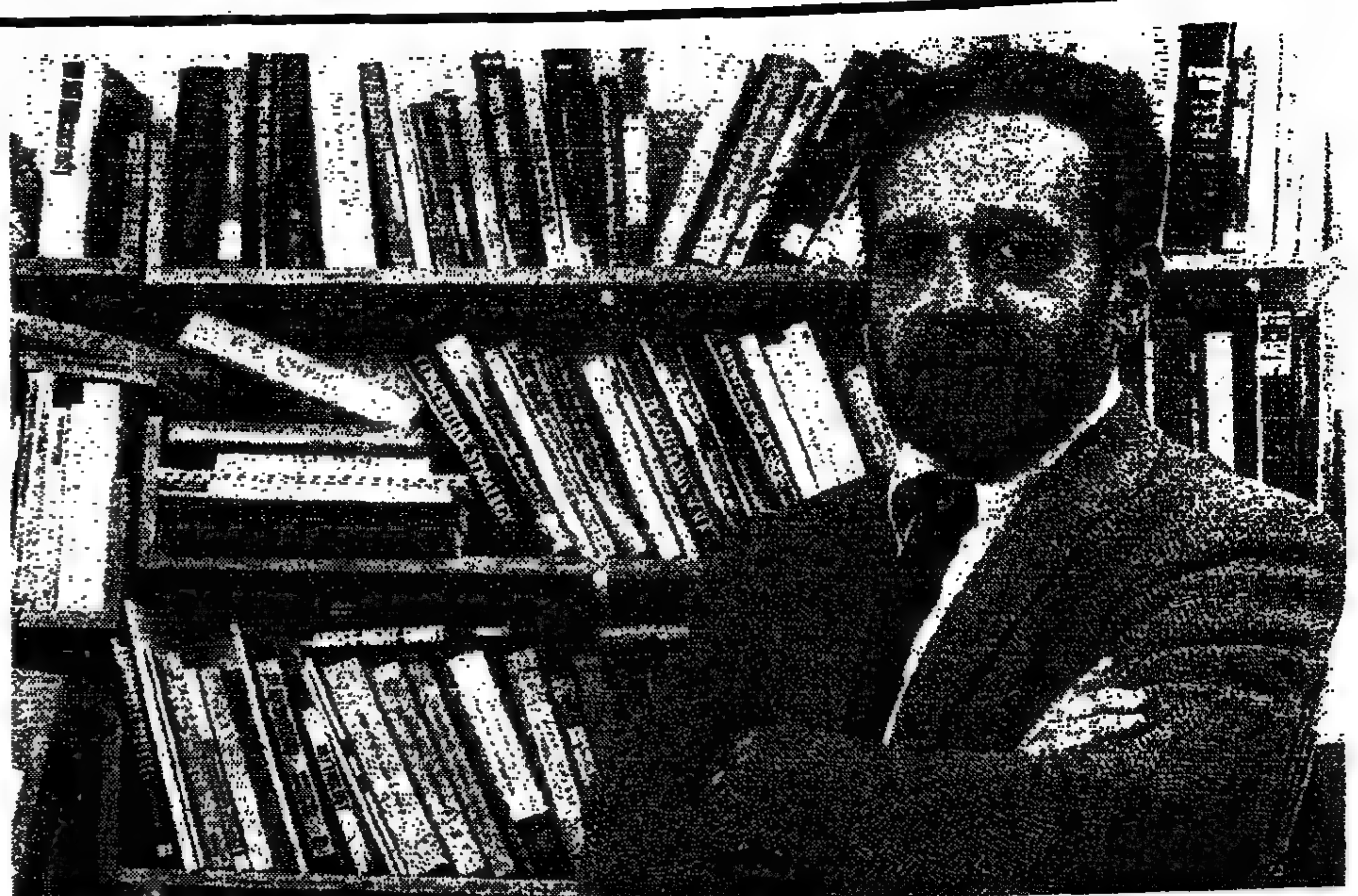
The Landmark MIT Study: Management in the 1990s available from Ernst & Young offices worldwide.

Alan Cane

MONDAY INTERVIEW

How not to help US Inc.

Robert Reich, theorist and advocate of a US 'industrial policy', talks to **Peter Riddell**



'My concern is to improve Americans' capacity to add wealth to the corporate product'

"WE HAVE to re-define American competitiveness." The call for a rethinking of what the national economic interest means comes from Robert Reich, a professor at the Kennedy School of Government at Harvard University. His question "who is us?" posed in the January/February issue of the Harvard Business Review, challenged previous assumptions about government goals in trade talks and its approach to helping industry. "The competitiveness of American-owned corporations is not the same as American competitiveness."

Robert Reich is one of those academic pundits who thrive in the US – advising politicians and companies, popping up on television, in newspaper opinion pages and at conferences, full of quotable views and sharp insights. Across the Atlantic, his work has been read closely by Labour trade and industry spokesman Gordon Brown and others.

Mr Reich first became prominent in the early 1980s for advocating what became known as an "industrial policy." But, he says, "that term became a kind of ink blot into which everyone read their favourite wishes or worst fears. By industrial policy I meant public investments in high value-added production – the sorts of technologies and processes in which Americans need to gain experience in order to be able to contrive the next generation of technologies." But he was "never much in favour of direct grants to specific companies or industries" and opposed the Chrysler rescue.

"By about the mid-1980s I began to notice that what some people were calling the 'hollowing out' of the American economy was not really that at all. Rather it was a transformation similar to that already experienced in Europe and Canada. Corporations in which most of the shares were owned by domestic nationals and which had their headquarters within the nation were becoming global very quickly and, simultaneously, foreign-owned corporations were employing more and more of the domestic workforce."

Mr Reich sees a big change from the foreign direct investment of the 1950s and 1960s which was an extension of national strategies – the creation of foreign affiliates to sell in overseas markets. "But now they are undertaking high value-added production abroad and exporting back to the US."

The change, he argues, reflects a combination of influences. There is a long-term decline in transportation and communication costs worldwide which make it cheaper and easier to co-ordinate global enterprises. Capital controls in most industrialised countries are being removed or are in sharp decline. Managers are conscious of the need to maintain a "presence" in foreign countries, partly to be close to customers and partly to avoid protectionism. Mr Reich believes that pressures for protectionism will decline as companies want goods as well as capital to move freely.

He rejects the view that global corporations concentrate high value-added work at home. Five years ago, he admits, "by and large what was put abroad was low value-added manufacturing operations, assembly work. But that has changed a lot because *in order to be very efficient* today's manufacturing environment, an enterprise has to have suppliers close-by."

"Also, global corporations of whatever nationality are *attracted to pools of highly* skilled labour, wherever they might exist. If there is a group of software designers who specialise in computer graphic interfaces and happen to live in the suburbs of Boston, they are going to be attractive to global corporations of whatever nationality who will contract with them. The same is true of the cinematic skills of Hollywood. What we are seeing around the globe is the development of critical masses of high value-added skills in certain places which are becoming ever more attractive to global corporations."

PERSONAL FILE

- **1946** Born. Educated Dartmouth College. Rhodes Scholar 1968-70. Yale Law School (PhD 1973)
- **1973-74** Law clerk to Chief Judge of US Court of Appeals for Boston
- **1974-76** Assistant to US Solicitor General
- **1977-81** *Director of Policy Planning, Federal Trade Commission*
- **1981-** Kennedy School of Government, Harvard
- **1983** Publishes The Next American Frontier, an early discussion of industrial policy.

The policy implications are far-reaching, as Mr Reich – who rather enjoys being provocative – is the first to recognise. Does it any longer make sense to concentrate on helping American-owned corporations when many of their activities are overseas? What is the national interest?

He argues that "rather than provide subsidies and tax incentives to American-owned companies to help them in high technology areas, it is more advisable to provide such assistance – *to the extent that* it should be provided at all – to corporations of any nationality which agree to undertake high value-added production within the locale."

Similarly, "rather than spend scarce political capital forcing other nations to open their markets to the products of American-owned companies which may be produced anywhere in the world, it is more advisable to spend that scarce capital forcing open the markets of other countries to the fruits of American labour – *even if* those American workers happen to be employed by foreign companies."

I wondered, therefore, whether Mrs Carla Hills, the US Trade Representative, was wasting her time in endless trade talks with Japan? Mr Reich thought she might be "wasting her time trying to open the Japanese market to *Motorola telephone equipment*, much of which is made in Kuala Lumpur. Most of the Americans who make such equipment in the US for export to Japan work for Japanese-owned companies. On the other hand, a high priority should be to ensure that Ricoh copiers made in the US get into Europe."

Mr Reich argues that, to the extent there are advantages in granting anti-trust exemptions for larger-scale domestic operations; or advantages in government support for research and development, no distinction should be drawn between foreign and domestic companies, provided that production and R&D are undertaken within the US.

Barriers to foreign direct investment should be reduced, while the need to restrict ownership of technologies critical to national defence is much smaller than is currently supposed. However, he argues for a system to regulate direct investment in much the same way that the Gatt regulates trade – to ensure that "national bidding with global corporations for high value-added production does not degenerate into bidding wars."

While his thesis has attracted wide interest, Mr Reich admits that "there is no organised political constituency which would dare support this position. On the one hand, in the US we have the zero-sum neo-mercantilists, who view all international economics as a matter of either us or them. They are forever worried *about which nation is number* one. They use much the same vocabulary as Cold War militarists – and include some old Cold Warriors as well as American labour unions and quite a few Democratic Congressmen – but instead of worrying about the Soviet threat, these days they tend to worry about the Japanese."

"On the other side are the laissez-faire cosmopolitans, who have a strong financial stake in an open world trading system and in a night-watchman government that will not interfere in their autonomy. They include chief executives of global companies, Wall Street financiers and neo-classical economists of a sort that populate the upper reaches of the Bush administration."

He argues that his position "does not sit well with either group because it's not zero-sum mercantilist. Indeed every nation has a firm stake in improving the capacity of others around the world to enhance global wealth. But the orientation is unapologetically nationalist. My concern is to improve the capacity of Americans to add wealth to the corporate product. There are a range of market imperfections *that necessitate government* intervention, not only for stimulating high technology but also for education, training and infrastructure."

Rather than use the "peace dividend" from lower defence spending to reduce the Budget deficit and to guarantee lower taxes in the future, it should be used entirely to enhance the productivity of Americans through public education and infrastructure expenditure.

Mr Reich differs from the mainstream US view that reducing the Budget deficit is vital to improve national savings and to reduce the cost of capital. Worries about "crowding out" – in vogue in the early 1980s – are no longer realistic because of the removal of capital controls. He turns the analysis around to argue that the US needs to increase public investment – stressing again primary and secondary education, training and infrastructure – to attract world capital to the US of a sort that will create high value-added jobs.

When I suggested that leading Democrats such as House Majority leader Richard Gephardt were going in the reverse, neo-mercantilist, direction, Mr Reich claimed that privately, though not publicly, many Congressional Democrats were "very supportive."

"What the Democrats urgently need need now is a compelling message which alerts the average American to the serious problems of the American economy but at the same time avoids jingoism. The Democrats have to be the party that represents the average working American. But the representation has to be affirmative rather than negative." This involves the politically difficult task of redefining the producer interest.

Some corporate executives have been suspicious of Mr Reich's challenge to the primacy of the American-owned corporation. One rang to ask his secretary whether his chair was financed by the Japanese or some other foreign company. Mr Reich rang back immediately.

"I told him that 'I had not now, nor I had ever been employed by any foreign national.' He failed to see I was being ironic and that those words had been used in the 1950s with regard to the communist scare that infected universities and much of the rest of America."

Irony has never been a strong point of those who believe that what is good for American-owned corporations is by definition good for America.

Strangeways begs for proper prison review

JUSTINIAN

The civilised management of a prison system consisting of about 130 penal establishments, all of them markedly different in size, requisite degrees of security for classes of inmate, and variable needs for daily administration and ancillary services such as medical and psychiatric provisions, is a complex undertaking at the best of times. And these – as Strangeways Prison has shown in the last month – are not the best of times.

Persistent overcrowding, with an average daily prison population of about 48,000, and antiquated buildings inconveniently sited in urban centres, have featured in an outcrop of prison riots in recent years. Not all have occurred in Victorian prisons, which provided for the separate and silent system of the last century. But it is, quite literally, a monumental mistake to run a modern prison system that allows frequent association of prisoners.

The prison service in England and Wales (Scotland has its own separate prison system that has fared little better) has coped remarkably well under the crushing and unrelieved weight of the prison population of the last two decades. The Governor of Strangeways, Mr Brendan O'Friel, blamed a sudden 10 per cent increase in *intake at the prison in the* weeks immediately preceding the eruption on April 1 as the prime cause for prisoner grievances.

In the last 20 years, the prison service has grappled with the basic problems of the large prison estate, the ever-pressing intake and flow of the volume of prisoners and the difficult industrial relations with the Prison Officers' Association. The terms of a prison officer's service has, under Fresh Start, improved the management-staff relationship, but it is still suffering some of the inevitable birth pangs.

Another managerial upheaval is in sight with the ending of the four regional directorates under the Prison Board at the Home Office and their replacement by 15 areas with individual managers. This is seen by many in the governor class of the prison service as bringing to a public service, which acutely affects the liberties of many citizens, an inappropriate Marks and Spencer approach to management. The changeover, due to take place on *September 1*, may be postponed while Lord Justice Woolf brings a critical judicial eye to prison management.

In this climate, thoughts have not unnaturally turned to privatisation. Six years ago the Adam Smith Institute said it was surprising that the idea of independently-built and managed prisons had not had a wider audience in Britain nor gained acceptance.

Private sector accommodation arouses deep forebodings among those involved in penal affairs

Since then the Government has been attracted to the idea of contracting out the building of prisons, the supply of some prison services and even – the most implausible of solutions – the actual selling-off of prisons to private ownership. Private construction and the supply of services could be made compatible with the exclusive responsibility for the custody of prisoners and the administration of prisons remaining with the Home Secretary on behalf of central government.

The Government is moving towards an experiment in privately-managed institutions for remand prisoners only, subject to inspection by HM Inspectorate of Prisons. Private sector involvement is also envisaged in the escorting of prisoners from penal establishments to courts and vice versa. Modern-style transportation is a comparatively straight-forward exercise in which public visibility is reasonably high and can be made constantly subject to scrutiny by judges and magistrates.

But the idea of private sector prison accommodation arouses the deepest forebodings in almost all those involved in penal affairs. The Government's approach is based on the assumption that operating under the constraints of the market, the private contractor *will be able to be* more cost effective than a public service.

While the concept of the State being responsible for prisoners is generally accepted, the Government does not apparently regard that as a constitutional impediment. Privatisation of remand prisons is regarded as no more than the Government controlling the central agencies of legitimate coercion and directing the shape of social institutions through agencies drawn from the private sector.

The quality of prison administration *will be central to* much of Lord Justice Woolf's inquiry. What precipitated the disturbance at Strangeways Prison? Was it the sudden upsurge in numbers and the consequential increase in the doubling-up in cells originally constructed to house a single prisoner? Was the prison understaffed and the staff under-protected in *the Chapel* on that Sunday morning? And, once the prisoners had gained control, whose responsibility was it to decide whether to storm the prison or to take the attritional approach of gradually coaxing the most defiant prisoners off the roof?

Against those pressing issues lies the fundamental question: who should manage and administer our prison system, and by what means?

The banks: **Patrick Blum** considers the changes that are sweeping the sector

Bad credit burdens state players

IF 1989 results alone were anything to go by, Portugal's banking community should be looking with confidence to the future. Profits have risen noticeably for many state-owned banks; some institutions which had been in a precarious situation have strengthened their position; and private banks returned their best performance yet.

But a wind of change is sweeping across the sector and the future remains uncertain, especially for state-owned banks, most of which are earmarked for privatisation.

If the state banks improved their performance, their profitability is still well below that of the private banks. This reflects, in part, their poorer capitalisation, but also longer-standing problems of overstaffing, heavy structures and the legacy of years of government interference which forced many of them to extend loans, some of which will probably never be repaid – what one banker describes with irony as "political credit".

Bad credits to state-owned companies, or groups in poor financial conditions, or related to decolonisation in the 1970s, still represent about 10 per cent of the state banks' total credit portfolios. The government practice of forcing banks to lend on political, rather than commercial, grounds has long been abandoned, but the effects still weigh heavily on some banks' balance sheets, distorting their results despite better management.

Low capitalisation presents the nationalised banks with a dilemma. Faced with the prospect of privatisation, the state banks must strengthen their capital base, but, unlike private banks, they cannot issue new equity; and the Government, striving to reduce a troubling budget deficit, is unwilling to provide more capital.

"State-run banks are handicapped because [they] cannot go to the capital market to strengthen their equity base. [They] have no other means besides the participation of the treasury," says Mr Alexandre Vaz Pinto, president of Banco Espirito Santo e Comercial de Lisboa (a leading state-owned commercial bank) and of the Portuguese Bankers Association.

BESCL is more profitable than other state banks, and has strengthened its capital through self-financing and by issuing participation certificates, Mr Vaz Pinto says. The bank's equity capital now stands at Es30bn, with an additional Es12bn in participation certificates. He says this is adequate, as it is over the minimum limit fixed by European Community directives for 1992.

Since 1988, BESCL has maintained solvency ratios above EC requirements, but other state banks are still "well below the minimum".

While most state banks have seen their situation improve, some worry that this will tempt the Government to pay itself larger dividends. "So far the treasury has been very understanding with regard to renumeration of equity," Mr Vaz Pinto says. But concern has grown since the Government, as majority shareholder in four part-privatised companies, recently doubled its dividend for distribution against the wishes of the companies' management and some of the new private shareholders.

Forthcoming privatisation puts extra pressure on banks. The Banco Português do Atlântico, the largest state-owned commercial bank, intends to raise capital through further issues of participation certificates. Mr Joao dos Santos Oliveira, president of BPA, says the bank needs additional capital to support new investments. BPA has been valued at about Es130bn, and is due to begin its privatisation with the sale of about a third of its shareholding later this year. The sale may also be tied to a capital increase, though the method and timing of its privatisation are still uncertain.

Banco Totta e Açores, which was part-privatised last year, is also waiting for a decision on the sale of the state's remaining 51 per cent stake.

The private-sector banks have none of these worries, and they are expanding rapidly. The Banco Comercial Português, Portugal's most successful commercial bank, last year increased net profits by 49 per cent to Es10bn with total assets rising by almost 75 per cent to Es517bn.

In 1989, BCP doubled its network to 51 branches, and plans to open at least another 60 mini-branches of its popular Nova Rede network, aimed at medium-income groups. Mr Jardim Goncalves, BCP president, says the bank wants to expand this network to workplaces as well as shops and residential areas.

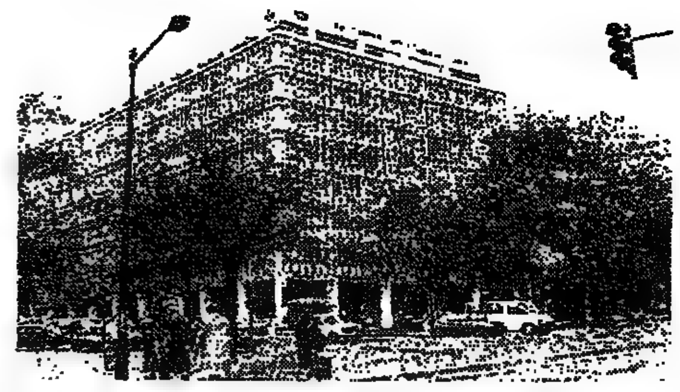
Nova Rede complements BCP's traditional network, servicing mainly high-income private and corporate customers. "We don't have any doubt that segmentation is the best way to deal with the market," Mr Goncalves says. To prepare for further expansion, BCP recently raised its share capital from Es30bn to Es66bn.

Mr Francisco Veloso, president of Banco de Comercio e Industria, a private investment bank in which Banco Santander and Royal Bank of Scotland recently acquired a controlling stake, outlines a similar strategy. BCI wants to move into the retail sector, with plans to open some 100 new branches. The aim is to deepen the bank's presence among companies and medium- to high-income individuals, while expanding geographically. "I think we can do this within two and a half years without damaging our profitability," he says.

Banco Português de Investimento (BPI), another investment bank, is also following a strategy of rapid expansion, with plans to establish 100 new retail branches through the acquisition of a controlling interest in a state bank. "If the Government wants to use privatisation to reinforce the capacity of Portuguese groups, this fits with our objectives," says Mr Artur Santos Silva, BPI president. This month, the bank is launching a share issue to raise its share capital to Es18bn and a convertible bond issue of Es10bn.

Mr Vaz Pinto does not believe there will be many more mergers within the state sector, beyond the establishment of two major groups: one consisting of Caixa Geral de Depositos (a savings bank and Portugal's largest financial institution), Banco Nacional Ultramarino, and an insurance company; the other of Banco de Fomento Exterior and Banco Borges e Irmao. These two groups will remain state-owned, and represent about 40 per cent of the banking sector.

But market pressures and liberalisation may well encourage further realignments among the rest of the state-owned and private banks.



Alexandre Vaz Pinto, president of BESCL, which is more profitable than other state banks

PORTUGAL'S TOP BANKS: 1988 ($m)

	Capital	Capital/assets ratio (%)	Profits	Assets
1 Caixa Geral de Depositos	815	5.2	180	15,615
2 Banco Comercial Portugês	266	13.2	49	2,020
3 Banco Nacional Ultramarino	176	4.5	-7	3,805
4 Banco Espirito Santo e Comercial	148	2.2	24	6,849
5 Banco Totta e Açores	132	2.9	7	4,526
6 Banco Português do Atlântico	117	1.4	19	8,407
7 Banco de Fomento Exterior	110	4.5	21	2,438
8 Banco Pinto & Sotto	106	1.8	9	5,771
9 União de Bancos Portugueses	101	3.5	10	2,915

Source: The Banker

TOWARDS 1992

Lending limits complicate the road to market

PORTUGUESE BANKS leapt a difficult hurdle on the road to European integration when credit ceilings were abolished in April – only to fall into a deep ditch of lending restrictions on the other side.

In the same breath that the central bank announced the end of 12 years of imposing individual lending limits on banks, it told financial institutions they would have to reduce credit growth by 2.5 per cent during the first six months of 1990, compared with the equivalent period last year. Bankers expect an even tougher restriction for the second half of the year.

The measure is the latest example of the way Portugal's overriding need for tight monetary controls, to ease domestic demand and fight double-digit inflation, has become the banking sector's main handicap as it prepares for 1992 and the challenge of a single European market in financial services.

Stirred out of a decade of inertia by the authorisation of 11 new private or foreign banks since 1984, Portugal's 11 public-sector banks have been growing steadily more competitive. But after several steps forward, the reduction of credit growth could encourage them to mark time.

"This measure removes the incentive for banks to compete for deposit resources, which they will not be able to apply in remunerative credit operations," says Mr Miguel Rosa, an economist with Banco Comercial Português, Portugal's most successful private bank. "For the state-owned banks, in particular, it is an invitation to stagnate and postpone adapting their strategies to a more open market."

Public-sector banks, accounting for more than 80 per cent of the market, undoubtedly have the most shaping up to do before they will be ready for the European fray. Pressured, after their nationalisation in 1975, to extend risky credit to state-owned industries and former colonies, they are now saddled with the burden of virtually irrecoverable loans that represent some 10 per cent of their total credit portfolios.

Most state banks are overstaffed; and the relatively high average age of employees makes them less suitable for the switch to computer technology, which the public sector has to undertake in order to catch up with the private banks, who have made information systems one of their most important competitive advantages.

Even the state banks' overwhelmingly superior distribution networks are a flawed asset. In the past, they were forced to open a new branch where the authorities stipulated, for every four they opened according to their own strategy. This has saddled them with a series of unprofitable branches in small locations of perhaps 1,000 people.

But the most serious problem on the state sector's path to 1992 is solvency. While private-sector banks boast ratios of own-capital to risk-weighted assets in the region of 15 per cent, several of the weaker state banks fall well below the 8 per cent capital adequacy ratio stipulated for the single European market. A recent study indicates that, in order to comply, Portugal's state banks will have to strengthen their capital base by a total of Es700bn ($4.7bn).

The capital of state banks has been eroded by more than a decade of low profitability, resulting from their unenviable role of having to finance the state at less than market rates from the huge pools of liquidity that built up under the credit ceiling system. A Catch-22 would operate if, despite the restraints imposed on them, the management of a public sector bank showed sufficient prowess to post a healthy profit: the state simply stepped in and creamed off the lion's share for the treasury.

In recent years, the Government has been more understanding, and allowed the several state banks generating profits to plough funds back into strengthening their capital. Mr Alexandre Vaz Pinto, chairman of Banco Espirito Santo e Comercial de Lisboa, Portugal's second largest commercial bank, said the state kept only Es1.5bn of the bank's Es22bn cash flow last year.

One of the principal ways public-sector banks lower the profile of profits, so as not to attract covetous looks from the treasury, is to make excessive provisions for diverse risks. This removes some of the evidence of their success from the bottom line of the balance sheet.

Despite the advances many state banks are making, some under-strength institutions will clearly need outside help. These include Banco Pinto e Sotto Mayor (BPSM), Banco Nacional Ultramarino (BNU) and Banco Borges e Irmao (BBI), which assessors recently valued at zero despite Es400bn in assets, according to banking sources.

The road to salvation for two of these banks lies in mergers with the two state-owned financial conglomerates the Government is creating. BNU, together with the Fidelidade insurance company, is to be grouped with the powerful Caixa Geral de Depositos savings bank, which dominates 40 per cent of the banking market. BBI, along with the export insurer Cosec, is being taken into partnership by Banco de Fomento Exterior, now building a market in external credit and intermediating loans for international institutions.

The future mapped out for BPSM, along with all the remaining state-owned banks, is privatisation, although bankers believe investors are unlikely to show any enthusiasm unless it is restructured first. Privatisation will make an important contribution to improving solvency ratios as sales of equity are also expected to involve capital increases. This was how the 49 per cent privatisation of Banco Totta e Açores was structured last year.

The capacity that privatisation gives banks to raise capital on the equity market, as private competitors like BCP have done with resounding success, means that the relative ability of banks to prepare for 1992 depends, to a significant degree, on what denationalisation calendar the Government determines for the financial sector.

Peter Wise

The economy: experts think inflation will remain above 11 per cent, says **Patrick Blum**

Tight monetary policies likely to stay

PORTUGAL'S economic planners are finding that too much of a good thing can bring almost as many problems as benefits.

On the positive side, economic growth, rising by about 5.5 per cent last year, was well above even the most optimistic forecast. Investment contracted slightly in the second half of the year, in response to tighter monetary controls, but nevertheless reached close to 10 per cent of GDP.

Direct foreign investment more than doubled, to a record Es360bn (£1.5bn) and exports rose by over 26 per cent. Industrial activity is running at a high level of capacity, and unemployment is officially below 5 per cent.

This idyllic picture is spoilt, however, by several troublesome developments. The high growth rate of the past four years, combined with large capital inflows – including substantial amounts from the European Community, to help Portugal catch up with its European partners – has brought a sharp rise in consumption, an increase in popular expectations, and a resurgence of inflation.

A resilient budget deficit (representing about 7 per cent of GDP) and a ballooning public debt that, in 1989, averaged about 70 per cent of GDP have not helped.

Strong internal demand encouraged high imports, which stayed well above exports, and the trade deficit remained practically unchanged at about Es978bn. Capital inflows, including revenues from tourism and remittances from emigrants, prevented a further deterioration of the current account balance, which closed with a deficit of around $550m.

Inflation was 12.6 per cent for 1989, despite hopes raised by a decline in the rate of price increases in the autumn. The situation worsened in January and February this year: prices jumped to an annual average of 13.1 per cent, putting in jeopardy the Government's objective of bringing down inflation to between 9.5 and 10.5 per cent by the end of the year.

Mr Miguel Beleza, appointed Finance Minister in January, believes the recent upsurge was an aberration. He lists a combination of bad weather, rises in administratively-set prices and the liberalisation of other prices, such as car insurance, as significant, but one-off factors.

Most economists doubt whether inflation will fall below 11 per cent, which would still leave Portugal with one of the highest rates in the EC. Mr Beleza says the target can still be met. "It is a difficult target. It is achievable, but it will require some efforts."

In the circumstances, the Government may have little choice but to stick to its tight monetary policies, which Mr Beleza says are slowly beginning to have an effect:

"You can look at the results of the last few years [and see] slower growth of liquidity. People complain that credit is very difficult and very expensive, but our monetary policy has been, is and will be non-accommodating. We have a monetary programme targeted for a certain nominal growth [of liquidity], and we will not revise it."

The policy basically restricts credit by banning certain types of hire purchase, by raising the cost of credit, and by restraining bank lending. It has not been popular with the public, or with the banks which say that government lending ceilings distort the market and competition.

The system of establishing credit ceilings, under which each bank is told how much it can lend, is now being phased out in favour of indirect monetary controls. The change is part of measures to liberalise the economy and the financial system, in preparation for full EC integration.

In theory, it means greater market freedom, and bankers have welcomed the move as a step in the right direction. But the authorities have sown confusion by also issuing a "guideline" that the total credit for the first half of this year should be 2.5 per cent less than for the same period last year, and by leaving open the possibility that another guideline will be given for the second half of the year. Many bankers say they are not at all clear how the new system will work, and some fear it will end up as credit ceilings under another name.

Mr Jose Alberto Tavares Moreira, the central bank governor, says it is a misunderstanding. "We've told them [the banks] it was essential to meet our macro-economic targets, and we believe they understand the need for us to meet these targets – otherwise everybody will suffer. If they don't co-operate, we'll have to take much tougher measures, such as increasing the [compulsory] reserve requirements. But it's a system of moral persuasion. There are no penalties at all. I understand the banks have difficulties, because they have lived for 12 years under the credit ceiling system."

Mr Beleza believes the banks will be better off in any case, and that there will be more room for credit to the private sector, because the Government is borrowing less. This is due in part to a lower deficit than forecast, and to additional revenues from privatisations which are used to reduce the burden of the public debt.

"The problems of public finances are largely a problem of management of the public debt," Mr Beleza says. In less than five years, the debt has almost doubled, from Es2,436.9bn at the end of 1985 to Es4,710bn in November last year.

Mr Beleza says the increase is partly the result of the incorporation into the public debt of debts from public-sector companies, and that the stock of public debt has grown much faster than the deficit.

Privatisations reduce financial demands on the Government, and help to alleviate the debt. "It allows us to reduce permanently the public debt, and therefore the interest bill which is very large, very rigid and very difficult to deal with," Mr Beleza says.

The Government is also looking at ways to reduce its expenditure, although this is made difficult because this budget has become law. Mr Beleza says he will implement the budget he inherited as tightly as possible, and seek to cut some expenditures, though not for investment as this affects co-financing commitments for EC programmes.

TRADE: 1987-89 (Es bn)

	1987	1988	% change '87-'88	1989	% change '88-'89
Imports	1,965.3	2,570.2	30.78	2,973	15.67
Exports	1,311	1,581.9	20.67	1,994.3	26.07
Balance	-654.3	-988.3	51.05	-978.6	-0.98

Source: National Statistics Institute


Mr Tavares Moreira: 'meet the targets, or everybody suffers'

Profile: **Miguel Beleza**

Tough legacy, low profile


'We'll be safe and speedy'

MR MIGUEL Beleza's appointment as Finance Minister on January 2 probably surprised him as much as anyone else. Not that he lacked solid credentials as a liberal economist – quite the contrary. But his previous career had kept him out of the political limelight – a situation which one guesses was very much to his liking.

An academic by training and a technician by choice, Mr Beleza is still somewhat uncomfortable with some of the demands that inevitably come with holding high public office. He is clearly more at ease addressing a seminar among his peers, or studying the minutiae of economic reports, than in the cut and thrust of press conferences. One detects a barely-hidden impatience at having to take time away from the task of solving more immediate problems. Mr Beleza keeps his eyes on the clock.

His avoidance of the media has led him to be described by some Portuguese newspapers as the "almost invisible minister". To be fair, Mr Beleza has taken over what is perhaps the most difficult job in the current Social Democratic – read conservative – Administration, at arguably the most awkward time.

An inflationary upsurge and a large public debt are just two of several pressing problems. He has inherited a budget which, by law, he has to implement with very little room for manoeuvre and alteration, though he says he will cut expenditure wherever that is possible. And, with presidential and general elections due next year, he has very little time to show results.

At 39, he his one of the Government's youngest ministers. Immediately before his appointment he was a director at the Banco de Portugal (the central bank). He has a Ph.D. in economics from the Massachusetts Institute of Technology, and spent four years (1984-87) as an economist with the International Monetary Fund. Between 1979 and 1987, he was a consultant to the Portuguese central bank. He was an economics professor at the Universidade Nova de Lisboa, and has been a visiting professor to universities in Europe and the US.

Mr Beleza's appointment raised expectations that the Government would deepen its liberal pro-market policies and hasten the privatisation programme. In some respects, this is starting to happen.

But other issues have proceeded at a much slower pace than expected. Critics say privatisations are in a limbo, but Mr Beleza dismisses the criticism. There were several problems to resolve before the programme could start again, and it took longer than expected to get approval for the new privatisation law, he says. "Few people have pushed as much as I have [for the privatisations], but I prefer to be safer and slower, though I think we will be safe and speedy."

He is less defensive, and shows a professorial insistence for precise terminology when it comes to economic policy. "We don't have a target for credit. We have a target for liquidity growth. People often confuse this." Economic policy will be based on two broad approaches: non-accommodation – that is, the strict application of monetary policy – and liberalisation. "We will not deviate from this."

Unlike his sister Leonor, who lost her job as health minister in the government reshuffle in January, or Mr Miguel Cadilhe, his predecessor at the Finance Ministry, Mr Beleza has adopted a low public profile, seeking to keep away from controversy. He devotes his spare time to his family and 15-month-old daughter. "I have no time for anything else," he says, looking at his watch.

Patrick Blum

Foreign investment: **Peter Wise** on tax-breaks and other attractions, including...

Lowest wages and fewest strikes

LEGISLATION that allows the Government to negotiate tax holidays has added an attractive new component to an impressive array of incentives, which has helped put Portugal at the forefront of developing European countries competing for foreign investment.

Even without tax breaks, Portugal last year clinched investment contracts worth Es36bn ($241m) with Ford, General Motors and the Finnish tractor company Valmet, in the face of tough competition from Spain and Ireland – both countries highly geared to attracting inward investment.

"The ability to offer major fiscal incentives would put Portugal out in front in terms of the competitive packages European countries are offering big investors," says Mr William Cunningham, a partner with Arthur Andersen in Lisbon. "Tax holidays appeal to multinationals more than cash incentives, because they help optimise their global tax positions."

Previously, investors were faced with a 40 per cent corporate tax. The measure approved by the Cabinet in March allows for the negotiation of undefined tax exemptions for foreign and domestic investments above Es10bn. But Mr Cunningham said that more detailed legislation, spelling out whether tax holidays would be granted for a specific number of years or calculated as a percentage of the total investment, was needed to win the full confidence of investors.

Tax breaks will increase the flexibility and scope of incentive packages, which already include large EC-funded industrial investment and training grants. In the case of the Ford contract, the largest foreign industrial initiative in Portugal for 12 years, grants accounted for 52 per cent of the company's Es22.3bn investment in a plant manufacturing in-car stereo equipment.

Enticements such as these have helped boost the annual level of foreign investment almost sixtyfold in less than a decade. Last year, total foreign investment rocketed to Es354bn, more than in the previous 10 years put together. Officials forecast that they will break the Es500bn barrier this year. And if one or two Es300-450bn car-assembly projects mooted in the press is secured, statistics will soar into a different orbit altogether.

Incentives have attracted investors to Portugal's underlying advantages as a low-cost manufacturing base within the EC. Chief among these is a highly-esteemed workforce earning the lowest wages in western Europe. Investors praise Portuguese workers as flexible, committed and quick to adapt to new technologies. The country also boasts the lowest private-sector strike record in the Community.

Low wages usually reflect low productivity. But in Portugal this is more a function of outdated technology and management practices than worker capabilities. Foreign investors say they have achieved highly competitive unit production costs by paying slightly above wage rates for the sector, while at the same time significantly improving productivity by investing in modern machinery and management methods.

Factors such as political stability and a fast-growing economy also attract companies to Portugal. Other investors are swayed by less tangible advantages. "The Portuguese share an important characteristic with the Japanese," said a Tokyo businessman, on a recent trade mission to Lisbon. "More than other Europeans I have encountered, they possess a very strong will to grow."

Portugal's foreign investment statistics look magnificent on a graph. But a closer examination reveals that the real benefits for the economy may not be as impressive as the global figures suggest. Manufacturing, the sector where foreign investment could contribute most to modernising technology, boosting exports and diversify from traditional industries, accounted for only 28 per cent of total foreign investment last year, having fallen from 48 per cent in 1985.

Investment in services, mainly tourism-related real-estate operations and financial institutions, accounted for 45 per cent of the 1989 total. Mr Antonio Mexia, vice president in charge of foreign investment at the Portuguese Institute of Foreign Trade (ICEP), said the upward trend in services was a natural development following entry to the EC in 1986.

"When a new market opens, foreign investment in banks and hotels is usually stronger at first, because companies in these sectors are maximising the markets they operate in, rather than choosing between alternative locations," he explained. "Industrial investors, on the other hand, are involved in making a careful choice between several possible countries."

He is encouraged by the fact that the industrial sectors in which Portugal is making its biggest effort to attract foreign investment, such as car components, electronics and fine chemicals, have shown faster growth than services over the past two years.

After many years during which officials sat back, waiting for potential investors to knock on the door, Mr Joaquim Ferreira do Amaral, as Minister for Trade and Tourism, set the tone for a more aggressive approach to promoting Portugal (he was appointed Minister for Public Works, Transport and Communication on April 16, after the resignation Mr Joao de Oliveira Martins).

The strategies of major enterprises are carefully studied, leading to officials presenting Portugal as a potential site for investment even before a company has narrowed the choice down to Europe. "No other country in Europe can offer the advantages that Portugal can for projects in sectors similar to the Ford investment," says Mr Ferreira do Amaral. "The more companies become aware of the favourable conditions in Portugal, the more investment decisions will be made in our favour."

The Government is focusing special attention on the US, Japan and Spain, where a total of Es1.5bn is being spent on promoting Portugal – in the first two cases, emphasising the country's potential as a base for exporting to the rest of the EC.

Recent events have raised the possibility of foreign investment being deflected from Portugal to the incipient market economies of eastern Europe, which can offer a higher educational level, a more developed technology base and proximity to north European markets.

But Lisbon officials prefer to see the Comecon block as an opportunity for trade rather than a threat to foreign investment, where Portugal has the advantages of political stability, a mature market economy and EC membership. "You have to remember that the fashionable site for foreign investment 15 years ago was China," said Mr Ernani Lopes, a former finance minister.

But the threat from eastern Europe could grow in the medium term. An executive with a US company that has recently invested in Portugal commented: "We quickly crossed eastern Europe off the list of potential sites, because of the risk of political and economic upheavals. But there is little doubt that countries like Poland, Czechoslovakia and East Germany will be strong competitors when they can offer investors long-term security."

Direct foreign investment in Portugal (Es bn)

1980:	6.2	1985:	42.3
1981:	9.2	1986:	24.5
1982:	9.7	1987:	61.6
1983:	15.7	1988:	138.0
1984:	27.6	1989:	354.8

Sources of foreign investment
(percentage of accumulated total 1980-89)

UK:	23.1	Switzerland:	6.1
US:	12.6	Efta:	10.6
France:	11.4	Brazil:	4.5
Spain:	10.9	Japan:	1.0
EEC:	64.5		

Source: ICEP

Profile: **Antonio Mexia**

Cutting through the thickets

A LARGE pair of scissors in a handsome wooden box was waiting on the desk when Mr Antonio Mexia took up his post last year as vice president in charge of foreign investment, at the Portuguese Institute of Foreign Trade (ICEP).

The gift from his boss, Mr. Joaquim Ferreira do Amaral, the Minister of Trade and Tourism, came with a short message of explanation: "For cutting red tape." As chief co-ordinator for inward investment, Mr Mexia has been wielding the scissors to good effect ever since.

His mission is to supply potential investors with competitive proposals, flexible conditions and fast responses, in a high-powered world where Portugal is negotiating for billion-dollar projects in competition with seasoned rivals like Spain and Ireland.

This requires ways to be cut through thickets of bureaucracy, to ensure that investors are not deterred, as they have been in the past, by seemingly endless delays and the frustration of being bounced from one government department to another.

On one occasion, a $150m industrial project was hanging in the balance pending the fate of a group of trees at the entrance to the proposed factory site. Mr Mexia, on the verge of finalising the agreement, was informed that a decision on felling the tress would take six months. He made a late-night trans-Atlantic call to the minister, and the matter was resolved the next morning.

Portugal's success in securing three multi-million investment projects in 1989, the biggest in more than a decade, is an indication of how effectively Mr Mexia's team is fulfilling its role as an interface between companies and the several ministries and administrative departments that have a bearing on foreign investment.

Mr Dan Roberts, head of a team with a division of General Motors that agreed on a Es9.4bn ($63m) investment in Portugal last year, is one of several foreign executives who have praised the professionalism, flexibility and rapid negotiating responses of the task force co-ordinated by Mr Mexia.

Appointing special teams to clear the path has helped remove the bureaucratic problems that once daunted such major investors. But Mr Mexia acknowledges that Portugal also needs to snip through the red tape that still entangles small investors.

The problem is not the approval process for foreign investment, which is virtually automatic, but setting up a company afterwards. To overcome the difficulties, ICEP is developing the concept of a one-stop institution where investors can handle all the necessary paperwork at a single counter.

In his efforts to stimulate a more dynamic approach within the Portuguese administration, towards attracting and dealing with foreign investors, Mr Mexia has drawn on a style of management slogans that he encountered on promotional visits to Japan.

"I urge my team to be aggressive when they are promoting Portugal, competitive when they are negotiating projects and pragmatic after the contract is signed, to ensure that investments turn into success stories," he says.

Mr Mexia left Portugal when he was 17, as the aftermath of the 1974 revolution paralysed the education system. He worked his way through university in Switzerland, and stayed on to teach international economics in Geneva. He returned to lecture at a Lisbon university in 1982.

When the present government came to office in 1987, he was invited, along with two other university lecturers, to work with Mr Miguel Horta e Costa, the Secretary of State for Foreign Trade. He has since been described as the trade and tourism minister's right-hand man for foreign investment, a role that led to his appointment at ICEP.


'A sense of achievement'

Now 32, Mr Mexia acknowledges that he could be earning three times his present salary in the private sector. But he says: "Public service in Portugal can offer a sense of achievement today that just wasn't possible before – particularly when, like me, you are working for a determined and challenging ministerial team."

Peter Wise

Helen Gray de Castro, Deca's managing director

Home purchase of a foreign stake

DESPITE PANIC headlines in some Portuguese newspapers about the country's being up for sale to foreigners, one small company at least has reversed the process by buying out a foreign bank's stake in a major fund management company.

It is a small step perhaps for Portugal, but an important one for Deca, a private financial services company established in 1987.

Deca has bought Barclays' 31 per cent share in Gestifundo, which Ms Helen Gray de Castro, Deca's managing director, claims is the country's third largest independent fund management company. Last year, in association with Baring Securities, it successfully launched an Es8bn Capital Portugal Fund for investment in local companies.

Deca previously owned 20 per cent of Gestifundo. It has bought out also some of the other shareholders, including the 9 per cent stake each of three more foreign insitutional investors, giving it control of 72.5 per cent of the company.

"We've 'nationalised' it," says Ms de Castro, triumphantly. —PB

FORTHCOMING FT SURVEYS

European Finance and Investment

THIS SURVEY is the fourth in a series on European Finance and Investment. Those already published *have dealt with: Ireland (February 19); Offshore Centres* (March 29); and the Nordic Countries (April 25). Future surveys will cover:

- ☐ **Spain** .... **May 29**
- ☐ **The Netherlands** .... **in June**
- ☐ **West Germany** .... **in June**
- ☐ ***Europe: 1992 and Beyond*** .... ***in June***
- ☐ **London** .... **in September**
- ☐ **France** .... **in October**
- ☐ **Italy** .... **in November**
- ☐ **Turkey** .... **in November**
- ☐ **Switzerland** .... **in December**

Editorial synopses for these surveys can be obtained from: The Financial Times, Number One, Southwark Bridge, London, SE1 9HL. Tel (071) 873 4842 (direct line to Carol Bileichuk, who also has the publication dates of other surveys already published).

Patrick Cockburn and **Patrick Blum** consider the growing presence of foreign institutions

Plans for branch networks cause anxiety

IN THEORY, Portugal's accession to the European Community in 1986 and the Government's privatisation programme open up the country to foreign capital.

In large measure, this has begun to happen, but there are a number of difficulties — above all, Portuguese nervousness about the degree to which business will come under foreign sway. These fears have been most evident with regard to financial institutions.

For instance, foreign banks want to increase their access to deposits by developing branch networks. By 1993, they will be able to do this with relative freedom, but for the moment they are facing resistance. Requests lodged with the central bank last year appear to have been put on hold by the authorities.

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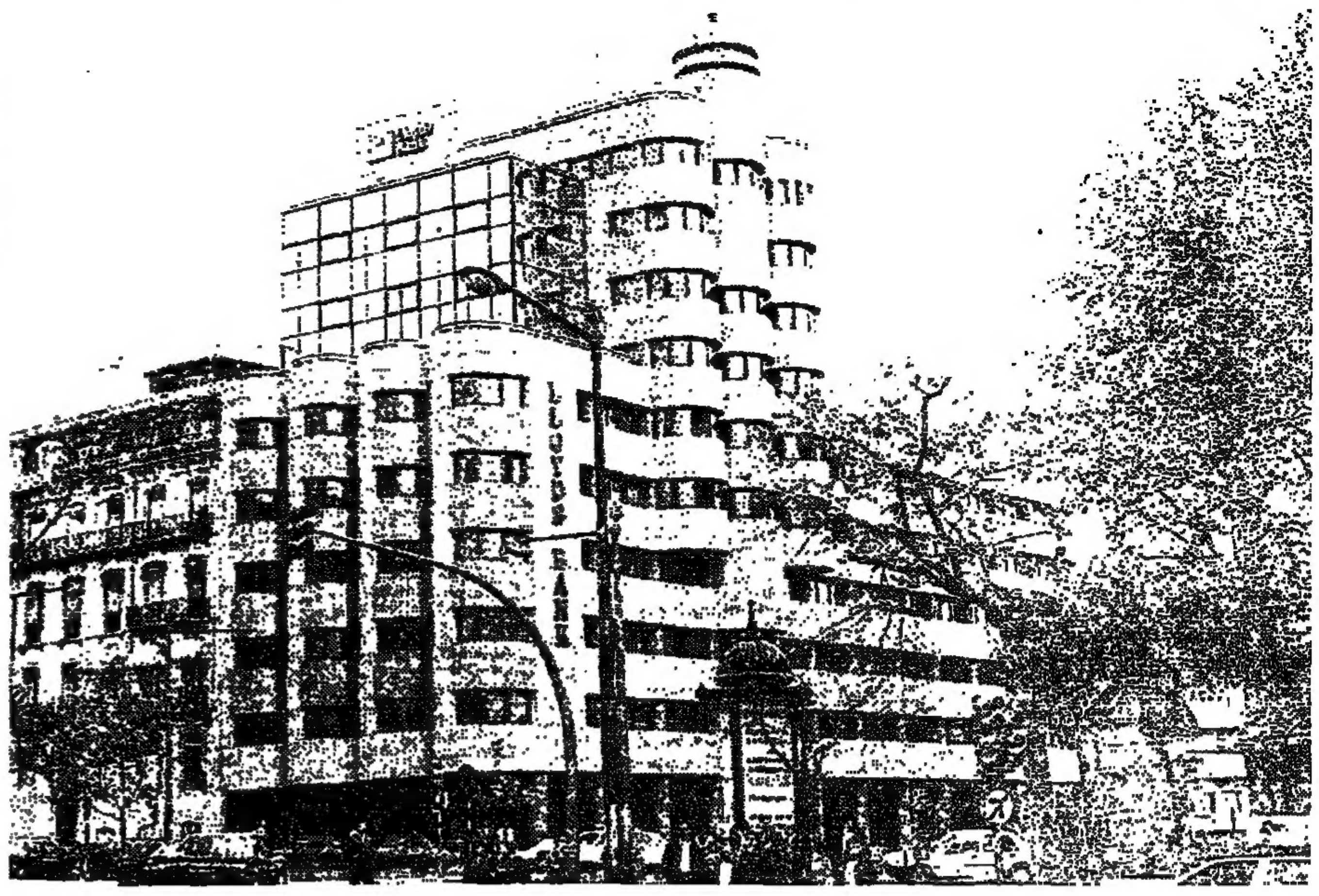
The list of those waiting for authorisation to expand includes Barclays, which wants to establish some 30 new branches; Crédit Lyonnais, which wants to double its network with another 15 branches; and Lloyds, which is hoping to expand from its current 12 branches to to about 20 within the next three years. Other banks seeking a more limited expansion for maybe a handful of branches are also waiting, though Manufacturers Hanovers has just added four new branches to its Lisbon and Oporto ones.

■ Mr Hiroshi Nishihara, chief representative in Lisbon of the Bank of Tokyo, which will open it first full branch in June, is sure that the number of Japanese companies in Portugal will increase.

■ Lloyds Bank (right) hopes to expand from its current 12 branches to about 20 within the next three years.



Overall, resistance to foreign groups has been episodic. As part of Portugal's EC accession treaty in 1986, it agreed to allow foreign banks to set up one headquarters and two branches. In practice, most foreign banks already have many more branches. "Until last year, you could open new branches, provided you fulfilled certain conditions, but since then there has been a deafening silence from the central bank," says one banker.

There are several possible reasons for the authorities' concern. First, last year's privatisations, against both regulations and expectations, allowed foreign groups to gain major positions in part-privatised companies. Despite rules limiting foreign purchases to 10 per cent of privatised shares, international groups secured much larger positions. Banesto, of Spain, became the largest private shareholder in Banco Totta & Açores (BTA), while UAP, the French insurance group, is thought to control about 30 per cent of Alianca, an insurance company.

In time, the Government plans to privatise fully most of the state-owned banks, including the two largest commercial banks, Banco Portugués do Atlântico and Banco Espirito Santo e Comercial de Lisboa (BESCL). But there are only a *limited number of Portuguese* groups that are willing and able to take control of these institutions.

As the state-owned banks prepare for privatisation, they are having to adopt more aggressive market strategies. They have already seen part of their market-share taken up by a small number of young, but highly successful, private Portuguese banks created after the mid-1980s liberalisation. The two largest Portuguese investment banks are planning also a major expansion into the retail market. A temporary restraint on foreign penetration in the banking sector gives the Portuguese banks an opportunity to strengthen their position before full liberalisation.

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"I think that the Portuguese banks won't let foreign banks [build up] a very substantial position on the retail market. After 1993, it is a different scenario," says Mr Alexandre Vaz Pinto, president of BESCL and of the Portuguese Bankers' Association.

For most foreign banks, Portugal has been extremely prof*itable, credit limitations keep*ing interest rates high. Mr Timothy Bradbury, general manager at Lloyds, says the foreign banks success can be attributed to the fact that they are "low cost producers" with small operations and staff, and able to offer services from an international network.

But the costs of staff and premises are rising fast, reducing the banks' relative advantage, and competition is becoming tougher. "A substantial portion of corporate business has been taken over by foreign banks, but Portuguese banks have adapted," says Mr Vaz Pinto. Portuguese banks will now be competing much more strongly, he predicts.

Foreign bankers realise they are losing ground. "A local bank with good correspondent banking relationships is better off than foreign banks now," says Mr Ernest Podesta, gen*eral manager of Barclays. But* he believes there are considerable opportunities in specific areas like private banking.

Foreign banks in Lisbon, in any case, have a niche among their own national companies. Continued interest in Portugal should ensure they will keep a solid base of international customers.

More recent newcomers — such as Bank of Tokyo, which will open it first full branch in June — will mainly be serving their own home market customers. "There are more than 30 Japanese companies in Portugal and I'm sure the number will increase. Almost all of them are our clients," says Mr Hiroshi Nishihara, Bank of Tokyo's chief representative in Lisbon.

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Spanish banks are expanding fast in Portugal. Ten of Spain's major banks are represented, *either as branches, investment* companies or as shareholders in Portuguese banks. "The Spanish banks have been very active channelling Spanish investment in Portugal. The Spaniards are committed to long-haul investments, unlike some other investors," a British banker says.

Banco Santander has taken a major share in Banco de Comercio e Industria, giving it effective control — with the *Royal Bank of Scotland*, with which it has cross shareholdings — of the Portuguese bank. Banesto has become a major shareholder in BTA. Hispano Americano has requested permission to transform its Portuguese investment company into a bank. Bilbao Vizcaya and several others Spanish banks are increasing, or have plans to increase, their activities in Portugal.

All *of which can only* have one consequence: "I think there's going to be very fierce competition to provide products and services," says Mr Podesta.

Investment banks: their role is bound to grow, in an increasingly competitive market

Upheaval offers new opportunities

By Patrick Cockburn and Patrick Blum

INVESTMENT BANKS and companies that sprang up after deregulation in the mid-1980s filled an important gap in a market which, until then, had been characterised by its conservatism.

After the 1974 revolution and the subsequent nationalisation of the banks, investment banking stagnated with little, if any, product innovation. The newcomers from the private sector rapidly won markets and a reputation for efficiency, new ideas and services; but they will not escape the unfolding restructuring of the banking sector.

The larger investment banks are already preparing to expand substantially their activities and source of funding, with plans to move into the retail sector. Both the Banco Português do Investimento (BPI), the leading private investment bank, and the Banco de Comercio e Industria (BCI) intend to open 100 or more retail branches each: BPI through acquisition of a state-owned bank's network, BCI through organic expansion.

Mr Artur Santos Silva, BPI president, explains: "We are strong in investment banking, but considering the size of our market we need now to be strong in commercial banking. We want to be one of the main financial groups in the country, covering all areas; to offer all the products for which there is a demand on the financial market." The bank will seek a majority or controlling interest in one of the state-owned commercial banks to be privatised.

In preparation for the move, BPI has been strengthening its capital base, with the launch this month of a share issue raising its share capital by Es10.5bn to Es18bn ($120m) and a convertible bond issue of Es10bn. In February, it reduced its shareholding in competitors BCI from 14 to 10 per cent.

BCI itself has seen a major restructuring of its shareholding structure. Spain's Banco Santander and the Royal Bank of Scotland have acquired effective control through their recent acquisition of 29.9 per cent and 19.9 per cent respectively of the Portuguese bank's shares.

The move by Royal and Santander brought an outcry in Lisbon over "foreign takeovers", with questions as to whether BCI should still be considered a Portuguese bank. The status of the bank is important to BCI's planned expansion from its current 24 branches. "We want about [another] 100 branches to deepen our penetration of our existing market and tap the market for individual customers," says Mr Francisco Veloso, BCI's president.

According to a strict reading of Portugal's banking laws, foreign banks can be limited to a single headquarters, a subsidiary and two branches. In practice, the authorities have allowed foreign banks to set up more branches, but there is growing pressure to contain the foreign penetration of the Portuguese market and to keep Portuguese banks in Portuguese hands, especially the larger state-owned banks earmarked for privatisation.

Mr Herminio Ferreira, president of Companhia de Investimentos e Servicos Financeiros (CISF), a leading financial services company, believes the controversy sidetracks a more important issue. "The nationality of an investor is not the most important thing. Privatisation is not only a question of selling shares but also of restructuring the economy," he says.

For financial services and investment companies, all these changes present new challenges. Their future is important, because Portuguese companies, feeling the impact of greater competition and needing to prepare themselves for the European internal market, require sophisticated financial services and advice, as do foreign investors wanting to enter Portugal.

Along with the main investment banks, they are well placed to take advantage of the upheaval of traditional business caused by privatisation and EC entry. Many of these companies are banks in all but name, offering a wide range of services apart from taking deposits. Some, though by no means all, want to transform themselves into investment banks.

Corporate demand for investment finance and sophisticated services is expected to grow strongly, though for the top 100 companies with a turnover of $100m, privatisation and the EC may not be major shock – or, if it is, they already have access to domestic and international merchant banking services. Some 60 per cent are, in any case, state-owned or multinationals.

But it is the next layer down, the 1,000 companies with a turnover of $10m-to-$100m, that offers the greatest opportunities. Finantia, another investment company, feels this is an area where it has a long-term future. Relatively small companies, facing more intense competition, need to look at new options. These might include selling out, looking for a partner, raising market share, refinancing or restructuring. All, according to Mr Eduardo Costa, managing director of Finantia Capital, owned by Finantia, "provide good business for merchant banking".

Ms Helen Gray de Castro, of financial services company Deca, says that Portuguese companies are often unaware of opportunities, such as the private placement of unquoted securities, open to them. "They don't know they exist. They love it when we talk to them about it."

Looking for opportunities in Portuguese industry, investment companies have usually seen potential in upgrading traditional industries. For instance, Deca helped establish a plant for making chemical-warfare-resistant uniforms for Nato. Finantia has a stake in construction, ceramics and paper products.

More immediately, opportunities for investment banking revolve around the development of capital markets and the interest of foreign investors. The two are closely linked. Half of the trading on the Lisbon stockmarket is generated from abroad.

Investment now accounts for about 28 per cent of GDP, and the high growth rate, 5.5 per cent in 1989, is partly sustained by the strong flow of investment from abroad. Direct foreign investment more than doubled last year, to $2.4bn. Private investors continue to find Portugal attractive, because labour and assets are cheap, the country is within the EC, and shares in state-owned companies are becoming available on the stockmarket.

But although the strategic reasons for investing, passively or actively in Portugal, are clear enough, the details are complex. For financial companies like CISF, Espirito Santo Sociedade de Investimentos (Essi), Finantia and investment banks like BPI it provides good business. All are involved in arranging the privatisations of major companies and preparing their valuations.

The complexities and bureaucratic difficulties which provide business for merchant banks and investment companies also create problems for them. Committed to liberalising capital markets, the Government has not wanted to lose control or pay more for its own financing. Non-bank financial institutions are also having to submit to new requirements to deposit cash reserves with the central bank.

A further limitation on expansion is the growing difficulty and expense of hiring well qualified staff. A graduate of 25 can now ask and get Es400,000, twice a university professor's salary. The cost of office space in central Lisbon is also going up fast.

But in the longer term local, investment banking is well placed. There is no reason why the strong economic growth of the last five years should end, though the rate of growth will decline.

There has been concern that foreign investment might be diverted to eastern Europe, but this looks less likely. The future shape and ownership of significant parts of the Portuguese economy will only be clear after more privatisations. But whatever the outcome of present restructuring, the role of merchant banks and financial services is bound to grow though the market in which they operate will become much more competitive.

Herminio Ferreira: 'Nationality is not the most important thing'

The stockmarket is facing two cold fronts

Depression after the comet

LIKE AN unpredictable comet, the Portuguese stockmarket occasionally lights up the economic horizon in a blaze of soaring prices, only to fade suddenly back into the dark.

After two years on the dark side of the moon, in the wake of the 1987 crash, the comet flashed past again last autumn when the Banco Totta e Açores market index rose more than 1,000 points in six weeks, to peak at 3,705.

The overall rise for 1989 was 40 per cent – almost double the average increase for world stock markets, and bettered in Europe only by West Germany. Trading volume increased 120 per cent. But prices re-entered a downward spiral in October, descending in record daily falls in early April back to the pre-boom level of August last year.

The dominant role of foreign investors in a marginal market, where daily equity turnover can fall as low as Es500m ($3.3m), means that changes in the world investment climate can produce disproportionately dramatic results on the Lisbon bourse. An international fund manager toying with half a per cent of his portfolio can profoundly influence the entire market.

Foreign investors regularly account for more than half the turnover on the Lisbon exchange. Official figures show they were responsible for some 70 per cent of the Es84bn worth of shares traded during last autumn's six-week boom. They beat a hasty retreat when the market turned, and both prices and volumes have remained in the doldrums ever since.

"After making gains of 200 to 300 per cent on some major stocks, foreign investors could easily afford to see 10 or 15 per cent shaved off prices as they sought a rapid exit from the market," says Mr Miguel Magalhaes Duarte, a director with the asset management company, Interfinanca.

Two cold fronts on the international outlook are contributing to the depression currently hanging over the Portuguese market. Amid the uncertainties over political developments in the Soviet Union and interest-rate rises affecting bourses worldwide, peripheral markets like Lisbon have been the first to be neglected by the international investors so vital to their well-being.

But if the small Austrian and Greek bourses can thrive in the present climate, why not the Portuguese? The answer appears to lie in changing assessments of growth potential in Europe. "Rightly or wrongly, investors perceive the balance of growth to be shifting away from the south in favour of eastern Europe," says Mr Joao Rendeiro, an investment strategist with fund managers, Gestifundo.

Despite the unsettled forecast, several factors indicate that the comet of the Lisbon bourse could again be leaving a trail of rising prices before the end of the year – this time re-emerging on a more stable orbit.

In the first place, the fundamentals of the Portuguese economy remain sound. Investment in modernisation will keep GDP growth buoyant. It reached 5.5 per cent in 1989, and should remain at 3-to-4 per cent over the medium term. In this expansionary climate, many of the 150 companies quoted on the Lisbon exchange offer high growth and profit potential.

Second, seven major public-sector companies, together worth roughly Es150bn, will be at least partially privatised in 1990. Planned operations include the sale of the remaining state-owned capital of four enterprises that raised a total of Es54bn when 49 per cent of their stock was auctioned on the equity market last year.

Market operators hope the Government will adopt a new approach to denationalisation that will help animate the stockmarket more than previous privatisation operations. "Investors have been able to acquire dominant stakes in privatised companies by paying a high price in the primary market," says Mr Francisco Capelo, a capital markets specialist with Banco Internacional do Funchal. "Because they have no need to strengthen their positions through further share purchases, the privatisation process has so far failed to make any significant impact on the secondary market."

Government officials have suggested that some future privatisations may be carried out in tranches, possibly establishing a stable core of shareholders in the first stage and subsequently opening up the remaining capital. This should increase competition from shares, from tranche to tranche, and help create a wider secondary market for privatised stock.

A third motive for confidence in the future is a planned package of sweeping administrative and operational reforms. Mr Joao Veiga Anjos, president of both Lisbon and the smaller Oporto exchange, says the changes will transform the Portuguese bourse into a modern, dynamic market operating with greater efficiency and transparency.

On an administrative level, regulation and control of the market will be transferred from the Finance Ministry to an independent five-man securities markets commission appointed by the Cabinet. The exchanges will themselves be privatised, and their administration handed over to the brokers and dealers. Tougher rules on mergers and acquisitions, insider trading and company reporting will be introduced.

Computerised trading will enable a shift from a single daily price quotation to a continuous pricing system based on real-time information. The change does not quite constitute a "big bang", as dealing will be carried out both by computer terminal and on the floor. The Lisbon and Oporto exchanges, linked by computer, will operate as two separate floors of a single, national market.

A private telephone network is being set up to facilitate dealing, and a computerised national stock registration house will be established in Oporto to improve administrative procedures. Two separate unlisted securities markets are being created in Lisbon and Oporto, with less stringent capital and information requirements, to enable the small and medium-sized companies that dominate the Portuguese economy to finance themselves on the equity market.

A total of Es800m is being invested in the transformation, with the Rio de Janeiro Stock Exchange winning an Es18m contract to supply the computer programmes and technical know-how. Mr Veiga Anjos says the new system could be operating in May, but other observers predict September or early 1991.

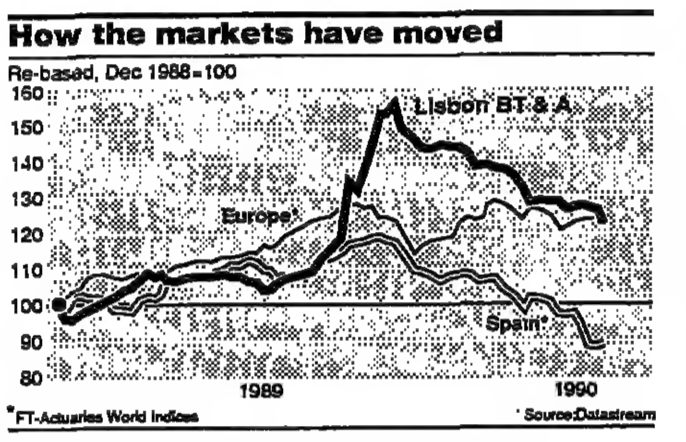
Gestifundo's Mr Rendeiro believes faster progress would have been made if the technical changes had been separated from the massive 700-section administrative reform, which he fears could prove discouragingly heavy for an emerging market like Portugal's.

"If Portugal seeks to emulate the stringent rules of the US or similar stock exchanges, we run the risk of having a perfectly regulated market but no investors or quoted companies," he says.

In general, analysts are convinced that Portugal will remain a cyclical market, vulnerable to sudden shifts of the international mood. They see the current phase as one for careful selection of the stocks most likely to pay rich rewards when the comet comes round again.

Peter Wise

How the markets have moved



On the Lisbon bourse, global changes can produce disproportionately dramatic results

Price of top six is likely to appeal to foreigners

THE PRIVATISATION of two insurance companies, Tranquilidade and Alianca Seguradora, 49 per cent in 1989 and the rest this year, illustrates many of the issues and tensions involved in the privatisation of the sector as a whole, writes Patrick Cockburn.

The Government says it has no precise calendar for privatisation, but over the next few years the six biggest insurers, nationalised in 1975, are likely to return to the private sector.

These companies took 59.5 per cent of all premiums in 1989, so their fate largely determines the future shape of Portuguese insurance.

Valuation of the state companies precedes sale in all cases, but the ultimate price will depend on investors' interest. According to one analyst, however, the total price for the top six public companies (Bonanca, Mundial Confianca, Imperio, Tranquilidade, Fidelidade and Alianca Seguradora) should be between Es184m and Es281m.

This puts purchase of part or all of these companies well within reach of foreign and domestic investors.

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In theory, only 10 per cent of the shares offered in 1989 could be bought by foreign investors. But at Alianca a stake of some 30 per cent has been taken by UAP, the largest French insurer.

UAP has already said that it wants to be a market leader in Portugal, so the way the Government allocates the remaining 51 per cent of Alianca's shares will indicate its attitude to foreign control of Portuguese insurance.

Not that foreign insurers are new to Portugal – 37 of the top 60 are foreign or foreign-controlled, though many of these are very small. But a UAP takeover at Alianca, following its merger with Garantia, would make UAP the largest insurance company in the country.

How extensive is the foreign takeover likely to be? European insurers looking for expansion in the 1990s believe that the under-insured market of the Mediterranean – Italy, Spain, Portugal and Greece – will see the strongest growth. Portuguese privatisation means that companies will be coming on the market in Lisbon just at the right moment and, compared with prices paid in France and Italy, possibly at the right price.

Initially, too, foreign companies coming to Portugal on their own, or as owners of Portuguese companies, will have the competitive advantage through their experience of more advanced products and distribution systems, though this will diminish. By 1989, the growth of foreign agency income in Portugal was only a little ahead of domestic companies.

Whatever the outcome, price competition is going to increase. According to Dr Ruy de Carvalho, president of the Portuguese Insurance Association, "1989 was the first year we saw a major increase in competition for large risks. Premium rates are really coming down."

After 1992, some at least of the insurance of the 50 biggest Portuguese companies will be placed abroad.

INSURANCE

Conservatism an obstacle but potential is huge

WHEN THE Chiado shopping district, in the old city of Lisbon, burned down on August 25 1988, only 10 per cent of the losses were covered by insurance.

The rest of Portugal is similarly under-insured. Only one in 10 Portuguese has a life assurance policy, compared with the two life policies held by the average West German. Insurance premiums accounted for only 2.8 per cent of GDP in 1988, compared with a European Community average of 6 per cent.

The potential for expansion provided by this lack of insurance is underlined by recent growth rates for both life and non-life protection. The former was up by 44 per cent last year; and non-life, traditionally better developed, rose by 22 per cent, or twice the inflation rate.

This confirms the conventional wisdom that, in Portugal, as in other southern European countries, there are more opportunities than in the more mature markets of the north. Not surprisingly, the number of insurance companies in Portugal has risen from 45 to 65 in the last four years.

But there is more to the peculiarities of the Portuguese insurance market than lagging economic development. At one and the same time, the insurance industry is trying to escape from its own, peculiarly conservative, past and also adapt to changes going on within European insurance as a whole.

The conservatism of traditional insurance has two main causes. Portugal was and is a poor country. Insurance implies a certain standard of living, or a degree of prosperity to be protected. The GDP growth has risen for five years in a row, increasing to 5.5 per cent last year, but many Portuguese are still too poor to buy much insurance.

The other reason is rooted in the political history of the country since the war. No new insurance companies were allowed between the late 1940s and the 1974 revolution. Those that already existed became inward-looking, if not moribund.

The nationalisation, in 1975, of the biggest insurance company further limited innovation. Although there are currently only eight nationalised companies, they wrote over 60 per cent of all insurance premiums in 1989. Only since 1984 has the formation of new insurance companies been allowed. Since December 1988, companies have been able to compete through setting their own premium rates in all sectors except crop insurance.

Privatisation of the state-owned insurance companies and increased competition by foreign insurers are a central part of these changes. But the market as a whole is being transformed.

First of all, in contrast to the rest of Europe, the number of companies selling insurance has increased sharply. The market share of a new company such as Ocidental Seguros, established in 1987, is still small, but its growth and productivity is impressive. By the end of this year, its premiums per employee should reach the European average. In most Portuguese companies, productivity is three or four times lower.

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According to Dr Ruy de Carvalho, president of the Portuguese Insurance Association, there is an enormous difference between the new and the old companies. The former have the advantage of lower costs, but they lack the distribution channels of the older companies.

Traditionally, Portuguese insurance has been sold by some 40,000 agents, though for many this was only a part-time occupation. Ocidental, part of the Banco Comercial Português Group, sells bank and insurance products as essentially complementary.

Other insurers have also sought to sell through new or upgraded distribution channels. Fidelidade, the third biggest insurer, will sell through Caixa Geral de Depositos, the largest bank providing 80 per cent of house mortgages, and Banco Nacional Ultramarino, giving it some 900 outlets if its own are included.

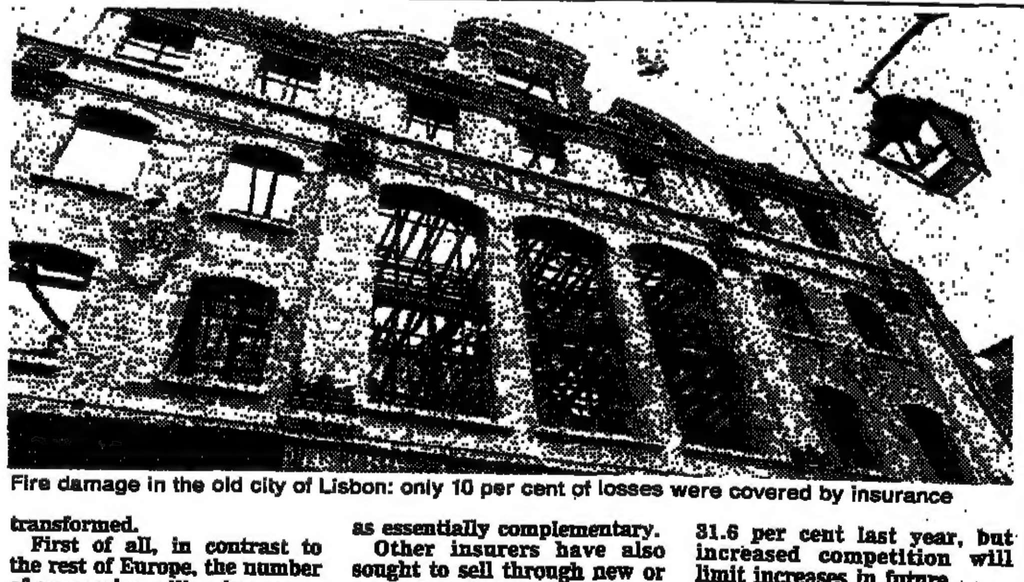
The insurance sold through this system is also growing in sophistication. In the past, non-life business dominated. Life insurance provided only 20.7 per cent of premiums in 1989. Workers' compensation, personal accident, health, fire and motor were the mainstay of insurance.

All these proved profitable, with the notable exception of motor insurance. Bad roads, drunkenness, and old cars combine with poor driving to produce the worst road accident rate in western Europe, well ahead of Greece and Spain. As a result, motor accidents in the past led to 47 per cent of claims but provided only 30 per cent of premiums. Motor premiums went up by 31.6 per cent last year, but increased competition will limit increases in future.

But it is life assurance products which continue to show the highest rates of growth, though the base is low. Between 1987 and 1989, the value of life business rose from Es17bn to Es45bn. Growth last year was down from 79 to 44 per cent, because of reduced tax incentives for life policies. The Government encourages private pension plans run by the insurance companies. Other new savings products, such as Tranquilidade's Plano Poupanca Reforma, sold through a bank, have also proved popular.

In both life and non-life, the 1990s are likely to see strong growth. The number of companies will probably decrease through mergers or acquisitions. But competition, together with the costs of computerisation and training, is bound to put pressure on profits, even if the total market rapidly expands.

Patrick Cockburn



Fire damage in the old city of Lisbon: only 10 per cent of losses were covered by insurance

Living there and doing business

Progress erodes variety

"AT THE fourth beep, it will be exactly 16 hours. 59 minutes and 50 seconds," the taxi radio crackled loudly. The unusual choice of time would make adjusting one's watch a somewhat tricky affair. But, as with most things in Portugal, it is as well to be prepared for the unexpected.

Since it joined the European Community in 1986, traditional Portugal has been going through some dramatic changes. Several years of high economic growth, bolstered by record capital inflows, have helped to accelerate the country's modernisation.

Everywhere, there are signs of the transformation: new roads and better communications are contributing to the development of the interior; new factories are replacing outdated production facilities; and buildings are springing up fast in the larger towns.

Regional differences, though still pronounced in the rural areas, are diminishing between the main urban centres. Despite the traditional rivalry between Lisbon and Oporto, the main industrial and commercial centre for the north, business life is not so different in the two cities. European integration is drawing the regions closer together.

Rising living standards, at least for a large part of the population, have raised aspirations and encouraged demands for better working conditions, housing and services. "The level of expectations has risen enormously. People are now looking very clearly towards Europe," says one foreign banker.

A consequence is that labour costs are pushing inexorably upwards, though average wages remain the lowest in Europe. There is still much unregulated part-time and seasonal employment, especially in the rural areas. In the Alentejo, a woman may work all day, picking vegetables or fruit, for Es1,000 (£4) a day, but pressure for change is building up.

Modernisation and an influx of foreign companies have also created a high demand for qualified personnel of all levels, causing labour shortages, especially of skilled workers, in some sectors. Large foreign companies, wanting to establish manufacturing plants in Portugal, almost invariably insist on government grants to train workers to appropriate levels of skills, but it is more difficult for small and medium size companies. Competition makes it more difficult to keep workers. Repeating the experience of many businesses, one small Spanish company sends its new recruits on a training course to Spain, but it has found that, once trained, some employees leave the company for better paid jobs.

The Government recognises the problem, and is increasing resources, with the help of EC funds, for education and training. According to foreign companies, Portuguese workers, though relatively less skilled, are flexible and learn fast.

In professional sectors, the shortage of qualified graduates has been a major problem. It has also pushed up salaries for certain specialists to levels close to those in major European capitals, despite the difference in living costs.

"Wages are going up very fast and, in the financial sector, you can't find enough graduates. The best ones get seven or eight offers before they leave college," says another foreign banker. He says labour costs in the financial sector rose by more than 20 per cent last year, and for a good specialist about 30 years old with experience by 75 per cent.

Office space is scarce and expensive. The high rate of business expansion and demand from new foreign companies has created a serious imbalance between supply and demand, especially for prime office space in Lisbon. A major foreign bank, due to open its first branch later this year, is still looking desperately for appropriate headquarters.

Supply should improve in the next few years as new buildings come on the market. Agents Lambert Smith Hampton have calculated that, by 1993, there will be about 400,000 square metres of new commercial property in central Lisbon.

Scarcity has pushed prices up to record levels. According to Lambert Smith Hampton, capital and rental values in Lisbon have increased by between 30 and 35 per cent per annum during the past three years. One company says a recent survey of its own premises put its rental value at Es6,500 per square metre – twice the cost of similar premises in Brussels. A parking space in a garage in central Lisbon can cost up to Es35,000 (£143) a month.

The rise in rental values is expected to level off as more space comes on the market in the early 1990s. This should also encourage developers to improve the quality of design and of their work. Companies have often found that they have to carry out improvements to existing fittings, before they can begin to work in their new offices.

Private accommodation can also be hard to find. Strict rent controls and laws that give tenants indefinite occupation as well as the right to pass on their flats to their families, have depressed the private housing sector. Many buildings are crumbling from neglect, or left to stand half empty. Some new private developments are geared to the expatriate market, their rents set at prices close to those in other European capitals.

But once you have settled down in your new home, you can start enjoying life in one of Europe's most beautiful capitals. Long summers, easy access to beaches – though traffic jams on the way back into Lisbon on a Sunday evening can spoil the best of days, and it is worth leaving early or late to avoid them – or a trip a little farther afield inland, add to the enjoyment of living in the capital. In Lisbon itself there is a wide choice of restaurants and cafes. Small clubs, hiding behind discreet entrances and less known to tourists, offer refuge, a drink and, if you are lucky, a steak until the early hours of the morning.

Patrick Blum

Rising living standards have raised aspirations and encouraged demands for better working conditions

Patrick Blum considers the offshore role of Madeira, where . . .

Free trade is a strong magnet

CAN A small island in the Atlantic, some 600 miles south of Europe, be a viable alternative offshore centre to Jersey, Luxembourg, Dublin or Gibraltar?

Mr Francisco Costa, chairman of the Madeira Development Company (SDM), which is responsible for the island's offshore activities, answers with a enthusiastic yes.

He says there is room for Madeira, one of Europe's newcomers, to make a strong bid to join the top league of offshore centres by offering the full range of offshore activities.

There are several points in Madeira's favour, he says. First, it will combine an offshore financial and services centre with a free-trade and enterprise zone and a new international shipping register. Though he does not want to press the point, the Madeiran authorities clearly believe that offering all these services gives the island a competitive edge. Gibraltar and Luxembourg, for example, do not have offshore manufacturing activities, while Dublin does not have an international shipping register.

Mr Costa also believes Madeira offers some of the best incentives: full tax holidays until 2011 for all financial institutions, trading and manufacturing companies setting up offshore or in the free-trade zone. Shipping companies which register in Madeira benefit from a wide range of tax incentives, as well as being able to operate under the Portuguese flag.

Last, but not least, companies from outside the EC will gain direct access to the European market – Madeira is an autonomous territory of Portugal with full EC status – a point that has not been lost on companies from South Africa, Asia and South America.

"We are getting lots of enquiries about the free trade zone," says Mr Joao Luis Dias, director of Dixcart Management (Madeira), a subsidiary of the Dixcart Group, the first management company to set up an office in Madeira specifically to handle offshore business.

Initial developments were slow and hampered by bureaucracy, but the pace of activity is accelerating. Some 70 service companies have been granted a licence, eight banks have set up offshore branches (another three are waiting for approval), seven manufacturers are setting up in the free-trade zone, and another four have applied.

The Guernsey-based Lloyds Bank Fund Management is the only foreign bank so far, but the number of foreign institutions will grow. The Banque Franco Portugaise has applied for a licence, and the Bank of Tokyo is expected to join suit.

Among manufacturers now setting up in the first 40 hectares of a planned 120ha site, three are Portuguese (construction materials, tobacco and electronics), two are Lebanese (textiles and marble), one is Brazilian (plastics), and one is South African (food). Another South African company (fishing) and one from Liechtenstein (precision optical instruments) have applied and buildings are already being prepared to receive them.

The free-trade zone lies on Madeira's eastern coast near the small coastal town of Canical, 8km from the airport and 30km from Funchal, the capital. Work is well under way on levelling the ground, building new factories, and installing high-pressure water supplies and telecommunications links, though a new deep-sea port will not be ready until 1991. Next year, work will start to expand the island's airport to enable it to receive bigger aircraft and to improve passenger and freight facilities. This will cost about $300m for completion in 1996.

For a small island economy, it is a considerable investment even if a good proportion will be met by EC structural funds. With Lisbon's support, Madeira believes it can succeed.

The authorities believe offshore activities will play an increasingly important role. Apart from tourism, which employs 26,000 people and accounts for 25 per cent of the island's gross domestic product, other traditional activities are facing difficulties. Tourism is vulnerable: the impact of a recent oil spill that polluted the main beach at the small nearby island of Porto Santo *caused considerable anxiety* over this year's tourist season.

Mr Sousa believes offshore activities will give a new dynamism to the island's economy. "The role of the [offshore] centre will be very important. If you look at Madeira, leaving aside tourism which we have done successfully for a long time, you find that our biggest export is bananas, our biggest employer is embroidery which provides work for about 30,000 women, and our most famous product is Madeiran wine. All of these industries face difficulties," he says.

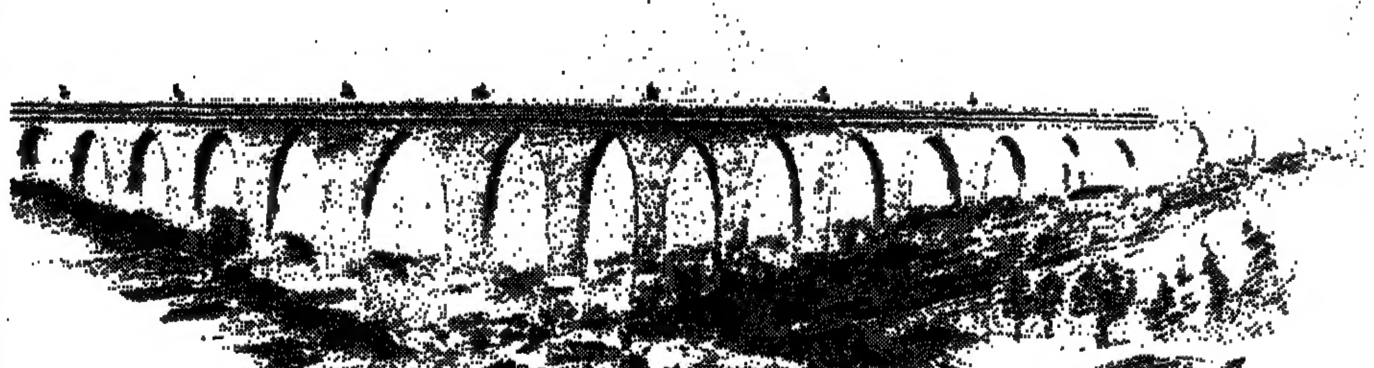
Mr Costa agrees: "Our traditional activities are not competitive and need restructuring. We're competitive in tourism, but we shouldn't rely on just one activity. The offshore business will help us to diversify the economy." New jobs in services and offshore factories will help to absorb inevitable job losses in traditional industries.

Despite the enthusiasm, several problems have still to be resolved. Madeira wants to extend the range of activities by allowing insurance companies and trust funds to operate offshore services, but additional legislation is needed. Mr Sousa says agreement has been reached with Lisbon and that the legislation will be approved by the end of this month.

Recent suggestions in the Portuguese press that the offshore centre could become a route for international money-laundering are dismissed by Mr Sousa. "We have good supervision from the Bank of Portugal; the Finance Ministry must give its approval [for projects]; and the Madeira government gives the final go-ahead. There are other places where it would be much easier to do this sort of thing. Madeira has a good name and reputation, and we intend to keep it that way," he says.

There are more immediate problems. There is no shortage of land for manufacturing, but office space in Funchal is scarce. Dixcart are operating out of a small office, in a building which also houses a hairdresser and kindergarten. New offices are being built and the problem should ease soon.

The island's language is Portuguese, but English and Spanish are widely spoken. The long tradition of tourism and enduring links with Britain account for a general friendliness towards foreigners. There is no crime and a pleasant climate all year round, all of which should add to Madeira's attraction, Mr Sousa says.



Living there and doing business

Progress erodes variety

"AT THE fourth beep, it will be exactly 16 hours, 59 minutes and 50 seconds," the taxi radio crackled loudly. The unusual choice of time would make adjusting one's watch a somewhat tricky affair. But, as with most things in Portugal, it is as well to be prepared for the unexpected.

Since it joined the European Community in 1986, traditional Portugal has been going through some dramatic changes. Several years of high economic growth, bolstered by record capital inflows, have helped to accelerate the country's modernisation.

Everywhere, there are signs of the transformation: new roads and better communications are contributing to the development of the interior; new factories are replacing outdated production facilities; and buildings are springing up fast in the larger towns.

Regional differences, though still pronounced in the rural areas, are diminishing between the main urban centres. Despite the traditional rivalry between Lisbon and Oporto, the main industrial and commercial centre for the north, business life is not so different in the two cities. European integration is drawing the regions closer together.

Rising living standards, at least for a large part of the population, have raised aspirations and encouraged demands for better working conditions, housing and services. "The level of expectations has risen enormously. People are now looking very clearly towards Europe," says one foreign banker.

A consequence is that labour costs are pushing inexorably upwards, though average wages remain the lowest in Europe. There is still much unregulated part-time and seasonal employment, especially in the rural areas. In the Alentejo, a woman may work all day, picking vegetables or fruit, for Es1,000 (£4) a day, but pressure for change is building up.

Modernisation and an influx of foreign companies have also created a high demand for qualified personnel of all levels, causing labour shortages, especially of skilled workers, in some sectors. Large foreign companies, wanting to establish manufacturing plants in Portugal, almost invariably insist on government grants to train workers to appropriate levels of skills, but it is more difficult for small and medium size companies. Competition makes it more difficult to keep workers. Repeating the experience of many businesses, one small Spanish company sends its new recruits on a training course to Spain, but it has found that, once trained, some employees leave the company for better paid jobs.

The Government recognises the problem, and is increasing resources, with the help of EC funds, for education and training. According to foreign companies, Portuguese workers, though relatively less skilled, are flexible and learn fast.

In professional sectors, the shortage of qualified graduates has been a major problem. It has also pushed up salaries for certain specialists to levels close to those in major European capitals, despite the difference in living costs.

"Wages are going up very fast and, in the financial sector, you can't find enough graduates. The best ones get seven or eight offers before they leave college," says another foreign banker. He says labour costs in the financial sector rose by more than 20 per cent last year, and for a good specialist about 30 years old with experience by 75 per cent.

Office space is scarce and expensive. The high rate of business expansion and demand from new foreign companies has created a serious imbalance between supply and demand, especially for prime office space in Lisbon. A major foreign bank, due to open its first branch later this year, is still looking desperately for appropriate headquarters.

Supply should improve in the next few years as new buildings come on the market. Agents Lambert Smith Hampton have calculated that, by 1993, there will be about 400,000 square metres of new commercial property in central Lisbon.

Scarcity has pushed prices up to record levels. According to Lambert Smith Hampton, capital and rental values in Lisbon have increased by between 30 and 35 per cent per annum during the past three years. One company says a recent survey of its own premises put its rental value at Es6,500 per square metre – twice the cost of similar premises in Brussels. A parking space in a garage in central Lisbon can cost up to Es35,000 (£143) a month.

The rise in rental values is expected to level off as more space comes on the market in the early 1990s. This should also encourage developers to improve the quality of design and of their work. Companies have often found that they have to carry out improvements to existing fittings, before they can begin to work in their new offices.

Private accommodation can also be hard to find. Strict rent controls and laws that give tenants indefinite occupation as well as the right to pass on their flats to their families, have depressed the private housing sector. Many buildings are crumbling from neglect, or left to stand half empty. Some new private developments are geared to the expatriate market, their rents set at prices close to those in other European capitals.

But once you have settled down in your new home, you can start enjoying life in one of Europe's most beautiful capitals. Long summers, easy access to beaches – though traffic jams on the way back into Lisbon on a Sunday evening can spoil the best of days, and it is worth leaving early or late to avoid them – or a trip a little farther afield inland, add to the enjoyment of living in the capital. In Lisbon itself there is a wide choice of restaurants and cafes. Small clubs, hiding behind discreet entrances and less known to tourists, offer refuge, a drink and, if you are lucky, a steak until the early hours of the morning.

Patrick Blum

Rising living standards have raised aspirations and encouraged demands for better working conditions

Patrick Blum considers the offshore role of Madeira, where . . .

Free trade is a strong magnet

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